

Teemu Kalliojärvi

Corporate Social Responsibility manual for small and medium-sized enterprises

Case: Suomen Talotekniikka

Corporate Social Responsibility manual for small and medium-sized enterprises

Case: Suomen Talotekniikka

Teemu Kalliojärvi
Thesis
Spring 2016
International Business
Oulu University of Applied Sciences

ABSTRACT

Oulu University of Applied Sciences
International Business

Author: Teemu Kalliojärvi

Title of Bachelor's thesis: Corporate Social Responsibility manual for small and medium-sized enterprises

Supervisor: Senior lecturer, Ms. Outi Sutinen

Term and year of completion: Spring 2016

Number of pages: 61

Corporate Social Responsibility is becoming one of the most current business related issues because of the global challenges on economic, environmental and social sustainability. Businesses have achieved a great role in societies all around the world through the evolution of globalized market economy. Businesses are in a great responsibility for most of the sustainability crises the world is facing, but businesses could also offer solutions for most of the sustainable development challenges.

In Finland, CSR has been current topic for big companies since the early 21st Century. The public interest on CSR issues is beginning to concern Small and Medium-Sized Enterprises as well. Currently CSR has not an established position among SMEs, although there are clear signs of growing importance of CSR in the future. Importance of CSR surges through tightening requirements and significant business opportunities which CSR can offer.

This thesis presents the latest theories and concepts of CSR in the SMEs frame of reference and gives an example of successful execution of comprehensive CSR process in commissioning company Suomen Talotekniikka STT Yhtiöt Oy. Objective of this thesis is that the CSR theory in chapter two together with case study part in chapter three form a CSR manual which can be used as a tool in planning, executing and reporting CSR by other SMEs. As a result, this thesis aims to emphasize the positive dimensions and value adding effects of CSR for SMEs and encourage SMEs to begin their own CSR projects. Case study research was conducted during a CSR competition facilitated by South-Savo's Chamber of Commerce. The competition offered a great framework for applying knowledge and conducting the case study. The STT's CSR program was designed, coordinated and reported as a result of this case study and it won the first prize in the competition.

This thesis concludes that CSR can offer SMEs new business management tools to improve their economic performance, increase company value and prepare plans for positive and negative changes in the operating environment in the future. For further research this thesis suggest studying the development of CSR reporting and if the Global Reporting Initiative's reporting standards will become more established as a mutually accepted, reliable and comparable reporting system.

Keywords:

Corporate social responsibility, corporate responsibility, CSR report, sustainable development, sustainability, small and medium-sized enterprise

TIIVISTELMÄ

Oulun Ammattikorkeakoulu
Kansainvälinen liiketoiminta

Kirjoittaja: Teemu Kalliojärvi
Otsikko: Yritysvastuun käsikirja PK-sektorin yrityksille
Ohjaaja: Outi Sutinen
Lukukausi: Kevät 2016

Sivumäärä: 61

Yritysvastuu on nousemassa yhdeksi liiketalouden merkittävistä puheenaiheista kestävän kehityksen taloudellisten, ympäristöllisten ja sosiaalisten haasteiden vuoksi. Liike-elämä on saavuttanut merkittävän yhteiskunnallisen aseman globaalin markkinatalousjärjestelmän kehittymisen myötä. Yritykset ovat vastuussa suuresta osasta käynnissä olevista kestävän kehityksen kriiseistä, mutta niillä olisi mahdollisuus tarjota ratkaisuja suurimpaan osaan haasteista.

Suomessa yritysvastuu on ollut ajankohtainen aihe suuryhtiöille 2000-luvun alusta saakka. Yleinen kiinnostus yritysvastuun aiheisiin alkaa koskettaa myös PK-sektorin yrityksiä. Yritysvastuun käsitteet eivät ole vielä vakiintuneet PK-sektorilla, vaikka yritysvastuun merkityksen kasvusta on havaittavissa selviä merkkejä. Yritysvastuun merkitys kasvaa tiukentuvien vaatimusten sekä sen tarjoamien merkittävien liiketoimintamahdollisuuksien myötä.

Tämä opinnäytetyö esittelee yritysvastuun ajankohtaisimpia teorioita ja toimintamalleja PK-sektorin viitekehityksessä sekä esittelee toimeksiantajana toimineen Suomen Talotekniikka STT Yhtiöt Oy:n esimerkin hyvin toteutetusta yritysvastuu ohjelmasta. Yhdistämällä kappaleessa kaksi esiteltävät yritysvastuun teorit sekä kappaleen kolme käytännön esimerkit, tämän opinnäytetyön tavoitteena on toimia PK-sektorin yritysten yritysvastuun suunnittelun, koordinoinnin ja raportoinnin käsikirjana. Opinnäytetyö pyrkii korostamaan yritysvastuun positiivisia ja yrityksen arvoa kasvattavia ulottuvuuksia sekä rohkaisemaan PK-sektorin yrityksiä aloittamaan omia yritysvastuu hankkeitaan. Opinnäytetyön kehitystehtävä toteutettiin Etelä-Savon Kauppakamarin Yritysten yhteiskuntavastuu-kilpailun aikana. Kilpailu tarjosi hyvän viitekehityksen tiedon keräämiseen sekä kehitystyön toteuttamiseen. STT:n yritysvastuuohjelman suunnittelu, koordinointi ja raportointi syntyivät kehitystyön tuloksena ja lopputulos saavutti samalla kilpailun ensimmäisen sijan.

Tämän opinnäytetyön johtopäätöksenä todetaan yritysvastuun tarjoavan PK-sektorin yrityksille uusia työkaluja taloudellisen kannattavuuden parantamiseen, yrityksen arvon kasvattamiseen sekä toimintaympäristön muutoksiin varautumiseen tulevaisuudessa. Jatkotutkimusten aiheeksi opinnäytetyössä esitetään yritysvastuun raportoinnin kehityksen seuraamista sekä sitä saavuttavatko Global Reporting Initiative- raportointistandardit vakiintuneen aseman yleisesti hyväksyttynä, luotettavana ja vertailukelpoisena raportointijärjestelmänä.

Aivainsanat:

Yritysten yhteiskuntavastuu, yritysvastuu, yritysvastuu raportointi, kestävä kehitys, PK-sektori, PK-yritys

CONTENTS

| | | |
|-------|-----------------------------------------------------|----|
| 1 | INTRODUCTION | 7 |
| 1.1 | Research problem and purpose | 8 |
| 1.2 | Commissioner | 9 |
| 1.3 | Research design | 10 |
| 2 | CORPORATE SOCIAL RESPONSIBILITY | 12 |
| 2.1 | Defining CSR from company perspective | 14 |
| 2.2 | Influencing actors, codes and standards | 15 |
| 2.3 | CSR reporting | 19 |
| 2.4 | CSR reporting process | 21 |
| 2.4.1 | CSR plan | 22 |
| 2.4.2 | CSR analyzes | 23 |
| 2.4.3 | CSR management | 24 |
| 2.4.4 | Publishing CSR report | 25 |
| 2.5 | The Global Reporting Initiative | 26 |
| 2.6 | The GRI guidelines | 28 |
| 2.6.1 | Economic responsibility | 31 |
| 2.6.2 | Environmental responsibility | 32 |
| 2.6.3 | Social responsibility | 35 |
| 3 | CSR IN SME CONTEXT: CASE SUOMEN TALOTEKNIikka | 38 |
| 3.1 | CSR in Suomen Talotekniikka | 39 |
| 3.1.1 | CSR planning | 40 |
| 3.1.2 | CSR taskforce | 42 |
| 3.1.3 | CSR is about the very foundation | 42 |
| 3.1.4 | CSR analyzes lead the way | 43 |
| 3.1.5 | CSR indicators and data collection | 46 |
| 3.2 | STT's CSR program | 48 |
| 3.2.1 | CSR management and follow-up | 51 |
| 3.2.2 | CSR reporting | 52 |
| 3.2.3 | CSR communications | 53 |
| 4 | CONCLUSIONS | 55 |
| 5 | DISCUSSION | 57 |

| | | |
|---|-----------------|----|
| 6 | REFERENCES..... | 59 |
| | APPENDICES..... | 61 |

1 INTRODUCTION

This thesis is about corporate social responsibility (CSR) and especially how small and medium-sized enterprises can plan and execute CSR operations and CSR reporting. CSR is one of the most current and important issues for many reasons. Firstly, CSR is important because of it has a straight interconnection with the sustainable development. Recent studies from different fields of sciences prove that our current way of living is unsustainable in many different ways. Ecological sustainability is endangered through excessive consuming of natural resources which is causing resource scarcity and many different pollution related problems. Economies all around the world are suffering downturns or even recessions. Ecological and economic crisis together are creating social crisis. Sustainability related threats have already become a reality in many forms and future predictions forecast many more crisis to escalate without a change in our way of living, consuming and doing business.

Secondly, CSR is important topic because businesses' role has increased significantly in societies all over the world. Nowadays private businesses are responsible for the majority of economic activities. They produce the most of the products and services, create the most of the work places and are the driving force of technological development and innovations. As the flip side for the positive impacts businesses are also responsible for using the majority of the natural resources and releasing the majority of the pollutions as a part of their business operations. In Finland, as in the most of the other developed countries the trend has been that businesses are operating on areas that used to be operated by public institutions. The public interest towards CSR increases at the same phase with the public awareness on sustainable development issues. This, together with highly developed information technology has created a new situation for companies, in which their operations are closely and carefully followed by many different stakeholders.

Thirdly, CSR is important topic to be introduced for Small and Medium-sized Enterprises (SMEs) because it is not familiar topic on SME sector. CSR is established among listed companies and multinational enterprises (MNEs), even though the key definitions, concepts and indicators are still without mutual acceptance. In other words listed companies and MNEs are familiar with the advantages that CSR communications may offer, but as reality unfortunately still often shows, some of them either do not know what is responsible and what is not or in the worst case they do not mind about the true responsibility of their business operations and impacts outside the public

relations publications. SME sector constructs the majority of many economies and is responsible of the most of the work places for example in Finland. That is why it is important to represent CSR successfully for small and medium-sized enterprises hence they could welcome responsibility and sustainability as a part of their business principles, strategies and daily operations.

The commissioning company of this thesis Suomen Talotekniikka STT Yhtiöt Oy (STT) has welcomed an idea to design, coordinate and report CSR operations for the company by this thesis project. STT is already active on doing business that contributes to sustainable development goals through its innovative OptiGreen™ business model. STT OptiGreen™ enables energy and resource efficient solutions for property owners by utilizing the latest building technologies and high-level designing professionalism. STT's background as a high-quality building technology service provider together with the company's vision to become the leading energy efficiency brand on the industry of building technologies enabled this thesis project to apply the latest knowledge of CSR matters during the case study part.

This thesis include a comprehensive presentation about latest theories, concepts and practices of CSR in a chapter two. The latest theories and best practices were applied during the case study phase in designing, coordinating and reporting STT's CSR program. The case study phases are represented in chapter three. The theoretical background and the documentation of case study phase together form a CSR manual for SMEs. This thesis emphasizes a company specific approach and strong integration of CSR into companies' core business strategies and principles. STT's CSR program won the first ever organized CSR competition for SMEs and the competition jury highlighted many key elements that can be found from this thesis. This thesis aims to encourage SMEs to begin their own CSR preparations and suggests many useful aspects that are in line with the latest CSR development. STT's example demonstrates that CSR operations may not only result a better conscience about sustainability issues or victory in a CSR competition but the whole process offer new viewpoints to improve economic performance, open up new business opportunities and increase a company value.

1.1 Research problem and purpose

The Main goal of this thesis is to research how to conduct CSR program in SME and document a manual about it. This thesis includes theory part of corporate responsibility and a case study part,

which is a documentation about creation, coordination and reporting of commissioning company Suomen Talotekniikka's CSR program.

Also it can be said that purpose of this thesis is to raise general awareness about CSR among SMEs and encourage SMEs to take actions on a field of CSR. By encouraging a big group of companies to take CSR actions this thesis aims to make a positive contribution towards more sustainable, responsible and just world. This thesis takes part in Oulu University of Applied Sciences Sustainable Development thesis program which is for thesis that consider different aspects of sustainable development.

The main research problem that will be answered in this thesis is:

- How to create CSR program for SME?

Secondary problems that this thesis will give answers are:

- What includes to CSR?
- What are the main aspects of CSR communications for SMEs' to take into account?

1.2 Commissioner

Suomen Talotekniikka (STT) is a Finnish building technology corporation consisting of seven companies which operate on different sectors of building technologies and on different locations. STT operates through its affiliated companies in Helsinki, Mikkeli, Jyväskylä, Kuopio and Pieksämäki. In Mikkeli STT operates on every sector of building technology industry and offers a wide selection of services as for example planning, constructing and maintaining of heating, ventilation, air conditioning, automation and electricity systems for new and existing buildings. All affiliated companies operate under an administration of a parent company Suomen Talotekniikka STT Yhtiöt Oy. The total turnover of STT corporation is approximately 23 million euros and the number of employees has stabilized around 130.

STT is a well-known building technology corporation which has through its existence valued customer satisfaction and company reputation. STT's mission is to offer high-quality products and customer oriented services for all kinds of property owners' needs. For the last two years STT has been active on developing its energy and resource efficient services in its business unit called STT Energy. STT Energy's core business has been affected by, or it is even a result of global

megatrends and sustainable development challenges. Increasing demand for energy efficient solutions is a result of property owners' desire to save money and environment. Cost reduction is currently a bigger reason for investing to energy efficiency, but environmental values are involved in growing numbers.

Connections between many CSR related issues and topics that are related to energy and resource efficient building technology business were forming the background for STT's decision to take CSR into serious review. STT had its own experience how environmentally responsible thinking had already begun to effect on the industry and it was already strongly involved in developing more sustainable building technology solutions, therefore STT was interested to familiarize itself more detailed on different aspects of CSR. The commissioner was fully supporting the CSR process and it mandated the author of this thesis to establish a CSR task force to participate in all phases of the process. Establishing a task force which included the persons with the highest decision making power and a knowledge about key CSR related data turned out to be essential for successful accomplishment of the project.

1.3 Research design

This thesis project was conducted as a commission from Suomen Talotekniikka STT Yhtiöt. In the beginning of thesis project CSR and CSR reporting theories were studied as a desktop study. After studying the theory of CSR the best practices were suggested for a board of directors of Suomen Talotekniikka to be implemented as strategic decisions and actions. Therefore, a research was conducted as a case study and it describes the project phases on chapter three after the theory chapter. Documentation of the research process has been collected during the year 2015.

Purpose of this thesis is to design, coordinate and report corporate social responsibility program according to CSR theories as a case study for commissioning corporation Suomen Talotekniikka STT Yhtiöt Oy (STT). The commissioner of this thesis won the first ever organized CSR competition for SMEs in Finland as a result of this thesis. STT's awarded CSR program has resulted many great achievements already in a short period of time and more is about to come as program is just beginning to fully affect in the year 2016. Due to these circumstances, the focus on this thesis is in documenting the CSR theories, concepts and practices that were studied from the source books of this thesis and applied during the competition. This thesis will also include some notions and

additions outside the award winning program to enable further development of the commissioning company's CSR program in the future.

2 CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) refers to companies' responsibilities for surrounding society and environment. Basic viewpoint of CSR is that companies do not operate separately from society but they need to follow and adapt in the economic, social and environmental development around them. Today's socioecological development creates new responsibilities for companies all the time and it can be said that nowadays companies face strong obligation to be aware of their operations' responsibility. (Niskala, Pajunen & Tarna-Mani 2013, 7.)

Mr. John Elkington created a concept of 'Triple bottom line' which is essential for modern CSR thinking. According to triple bottom line-concept CSR includes three key elements which are; economic responsibility, social responsibility and environmental responsibility. (Kuisma 2015, 14.) Concept of corporate economic responsibility reviews how direct and indirect economic added value is generated and distributed by companies. Environmental responsibility focuses to measure usage of natural resources as well as companies' effects on diversity of nature and environmental pollution. Social responsibility evaluates for example companies' policies on staff wellbeing, product safety and respect of human and customer rights. All corporate responsibility elements cover companies' whole value chain and stakeholder network. (Niskala et al. 2013, 18.) The picture below illustrates how CSR is constructed by companies' responsible actions on three key sectors.

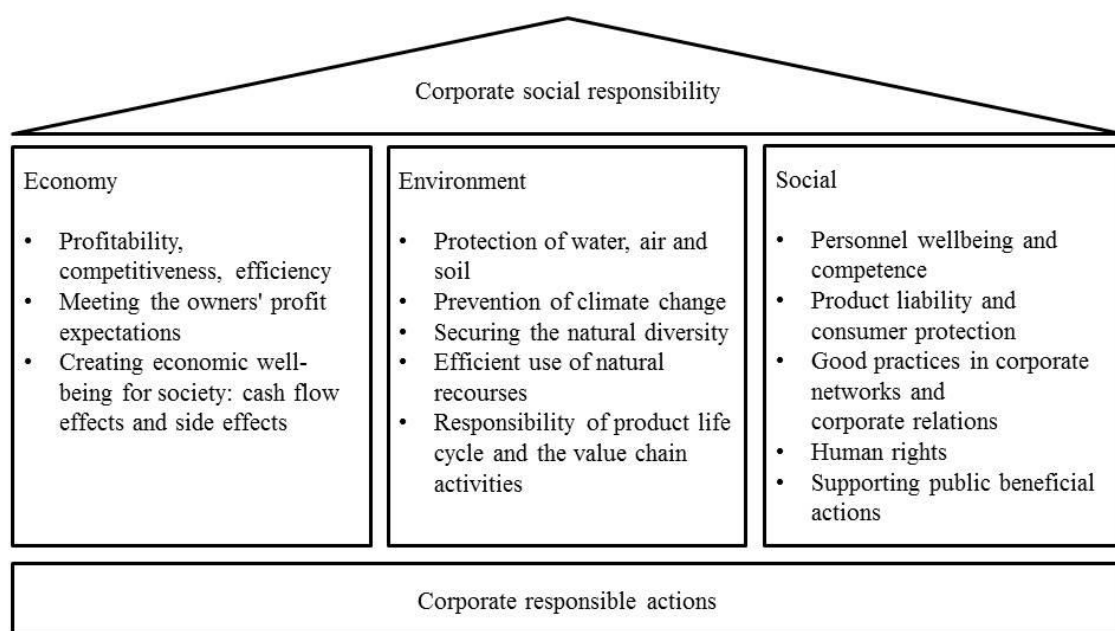


FIGURE 1 CSR Composition (Niskala et al. 2013, 18)

Today's globalized world is full of events and trends which raise questions about the state of sustainability and justice of customary ways of doing business. Climate catastrophe, resource scarcity, morally questionable advertising, use of child labor as well as mass layoffs and the record profits at the same time, are all examples under the topics of sustainability, business ethics and corporate social responsibility. (Beschoner 2012, cited 31.5.2016.)

Particularly in Europe so called social market economy has had a strong influence and above mentioned events should be avoided by political rules and laws. Globalization and especially highly internationalized economy has made it difficult for states to regulate markets effectively. The civil society is gaining its bargaining power on the economy outside the politics and law by demanding businesses commit to comply certain standards such as UN Global Compact or collective industry agreements. The aim of corporate social responsibility is not only to prevent morally questionable practices which can damage the society, environment as well as company and its employees itself nor it is to create charity foundations or make big donations but it is also to promote approach that examines responsibility of companies' business activities as such. Important in CSR is to focus on how companies make money, not only how they spend them. (Beschoner 2012, cited 31.5.2016.)

According to Michael Porter and Mark Kramer CSR discussion is stuck in debating about problems in interaction between companies and society. Instead it should be realized that they both need each other for their own success. Porter and Kramer criticize companies leaving CSR matters separate from the core business and take CSR either as an oppressive part of risk and reputation management or as additional charity programs and donations totally outside of the business operations. In their 'Shared value'-concept they suggest that economic added value for companies' owners and directors should be created so that it creates added value simultaneously for surrounding environment. Porter and Kramer highlight especially three sectors where companies and societies common added value is created. Firstly common added value creation takes place in value chains of companies, secondly it is created through products and services of companies and thirdly in all supportive clusters of companies. (Niskala et al. 2013, 19.)

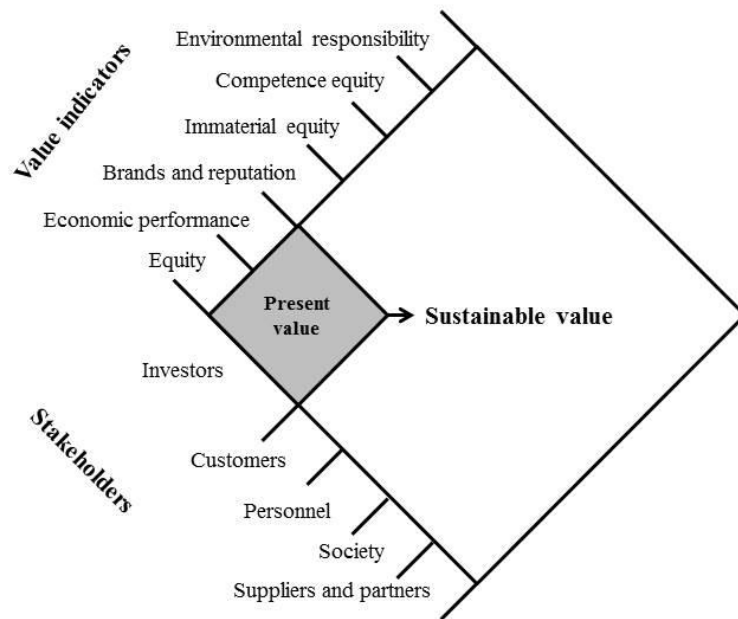


FIGURE 2 Sustainable value creation (Niskala et al. 2013, 15)

The figure above demonstrates responsibility aspects in companies' value creation that are simultaneously creating common added value for companies and societies.

The latest development of CSR is taking responsibility actions straight to the core of companies to support business and profitability whilst simultaneously creating value and wellbeing for stakeholders. To make it possible, it requires carefully conducted analyzes, indicator selection and follow up which fully support the companies' business strategy and management. Many immaterial properties as intellectual competences, risk management practices and corporate governance standards are often creating value for company's profitability as well as for responsibility stakeholders. (Niskala et al. 2013, 11.)

2.1 Defining CSR from company perspective

Corporate responsibility is not only about fulfilling legal and moral obligations, but it is also about proactively tracking and improving business operations to contribute to sustainability. Corporate social responsibility includes large scale of contents which will be weighted differently among the companies due to the different starting points and the operating environment of the businesses. CSR review will include direct and indirect effects on national and international level. CSR review should also include viewpoints from the company's own as well as surrounding society's perspectives. The definition of corporate responsibility should be made carefully and with no hurry.

Defining the company-specific starting points from the CSR point of view includes defining the general foundation of the company, such as industry, size, purpose or ultimate mission as well as introduction the company's vision, values, policies and principles. In addition, the relationship between the company's strategy and corporate responsibility should be examined, which helps to determine the most important CSR areas for the company's core business strategy and objectives. Also features and expectations of company's value chain, stakeholder network, operating environment and industry should be carefully analyzed and defined from the CSR perspective. CSR features and approaches differ between small and large company as they differ for example between a company operating on energy sector and company operating on finance sector. (Niskala et al. 2013, 24.)

Influences of global megatrends and legislations should be recognized in the first place when defining external factors for company's CSR. Both, national and international laws set the minimum requirement level for companies from CSR perspective. By following global megatrends company can forecast their major positive and negative influences for company's operations. In addition, many voluntary based CSR codes and standards together with opinion leaders and forerunner companies are influencing on development of CSR and therefore they should be recognized, analyzed and defined from company's own perspective to reach desired goals with CSR plan conducted with available resources. (Niskala et al. 2013, 24-33.)

2.2 Influencing actors, codes and standards

Public discussion about corporate responsibility is increasing. Development of information technology has made access to CSR and sustainable development information easy which speeds up public awareness and interest towards the topics. Stakeholder groups are becoming more interested of questions about products' origins, manufacturing conditions and companies' ethical and ecological principles. Detailed information is easily available, regardless where the actual operations are conducted and many stakeholder groups are active in rising issues to the public knowledge if they find any grievances. It increases a reputation risk which is a clear driving force for many companies' to improve their level of CSR. Growing interest towards CSR on finance and investment industries can be seen as a very significant driver for companies to improve their level of CSR for the sake of long term value creation and to ensure operating conditions. Even stock

exchanges are evaluating companies CSR level with indexes created to that purpose. Results of CSR evaluations prove that responsibility efforts include elements that strengthen companies' competitive advantage. (Niskala et al. 2013, 10.)

Corporate responsibility as a phenomenon is a part of global economy's development and it is said that many concepts, definitions and systems are still under a continuing change. The best way to follow the development and stay updated is to monitor key international organizations' agreements and advices. Also many industries have their own alliances and conventions on responsibility and sustainable development. (Kuisma 2015, 27.)

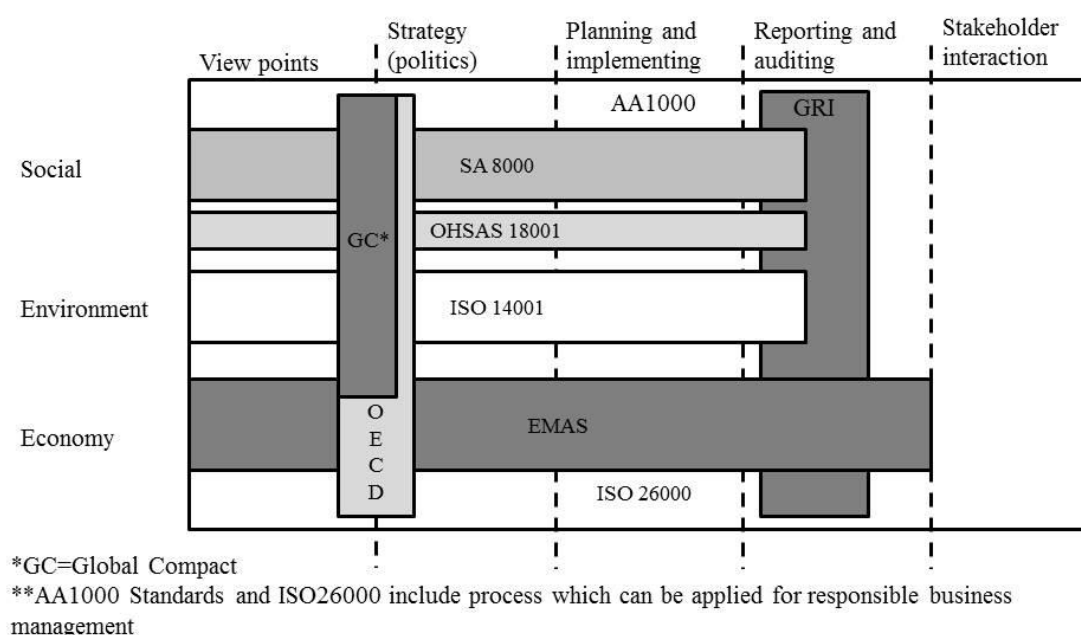


FIGURE 3 CSR framework (Niskala et al. 2013, 55)

As the figure above illustrates CSR includes many elements and sectors. In the most simplified way they can be divided into three classes which are CSR related public commitments and initiatives, CSR congruent standards and codes for operating systems and last but not least CSR reporting guidelines. (Niskala et al. 2013, 52.) This chapter shortly presents the key actors and influencers by describing their position in a field of corporate responsibility.

United Nations

United Nations (UN) is the first organization to be presented as it is highly influential international organization formed by the government representatives from almost every country in the world. UN does not set laws but it facilitates international agreements, commitments and gives declarations.

Most of the corporate responsibility related topics are dealt with at the High Level Political Forum on Sustainable Development (HLPF) which meets at the UN's General Assembly every fourth year. For example UN's *Millennium Declaration* includes many goals for more sustainable and responsible societies. UN's Millennium Declaration requires new cooperation forms between nations to steer international economy to contribute more towards Millennium Declaration's goals; therefore corporate responsibility is pivotal part of UN's plans. (Kuisma 2015, 27.)

United Nations' Global Compact and International Labor Organization

UN Global Compact (UNGC) is the most popular global CSR commitment. It was created in 1999 by Mr. Kofi Annan, who was UN's general secretary at the time. UNGC is already 17 years old at the time when this thesis is written, it is still central commitment in the field of corporate responsibility and there are over 12 000 companies who have given their commitments. Basically UNGC is a challenge for companies all over the world to contribute towards sustainable development by committing to follow ten universal responsibility principles and release a Communication On Progress report (COP) outlining their responsibility efforts. (Kuisma 2015, 28.)

UNGC's ten corporate responsibility principles are derived from the universal declaration of human rights, the International Labor Organization's (ILO) declaration on fundamental principles and rights at work, the Rio declaration on environment and development as well as from the United Nations convention against corruption. They are as follows:

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human right abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labor.
5. Businesses should uphold the effective abolition of child labor.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
7. Businesses should support precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

By releasing Communication On Progress report (COP) and delivering it to UNGC headquarters in New York, companies will be listed as active participants of UNGC. Companies' commitment to these principles in action is hard to measure and follow promptly, but the reputation risk may ensure that active companies also make responsible actions besides reporting. (Kuisma 2015, 28-28.)

The Organization of Economic Cooperation and Development

The Organization of Economic Cooperation and Development (OECD) is an international intergovernmental organization which operates among the areas of economy and trade, good governance, environmental, social and sustainable development. The main goal of the organization is to promote world trade and standard of living as well as economic growth objectives of its member states. The OECD published the first guidelines directed at multinational enterprises in 1976 and the guidelines have been updated since then. The OECD guidelines contain a number of voluntary corporate responsibility guidelines in accordance with TBL concept of CSR. Finland is committed to complying with OECD guidelines. Finnish Ministry of Employment and Economy is responsible for giving operation instructions and controlling the operations. (Niskala et al. 2013, 45-46.)

Finland's Commission on Sustainable Development

Finland has a long history of implementing programs on sustainable development and it was among first countries to establish a national commission on sustainable development in year 1993. Finland as a nation has committed to UN's sustainable development goals and to UN's Agenda2030 for sustainable development. Finland's Commission of Sustainable Development consists of broad selection of stakeholder groups from all sectors in the society. The commission deploys UN's sustainable development goals through an innovative strategy called "Commitment2050 – Finland, that we wish to see in 2050". Commitment2050 was adopted in 2013 and updated in April 2016 to be in line with the UN's Agenda2030 for sustainable development. Basically the Finnish model is a platform where whoever is able to commit to a vision of sustainable Finland in year 2050. The Finnish model was presented in UN headquarters in year 2015 and it was praised for how it succeeds to gather all members of Finnish society to contribute to sustainable development goals. (Commission on Sustainable development in Finland 2016 A, cited 31.5.2016.)

Commitments can include many aspects from different sustainability areas and can be consisted of several action plans. Alternatively, it can be a very simple commitment contributing to only one

sustainable development goal. The main idea of the “Commitment2050” is to make committing to sustainability possible for everybody and to provide a well visible platform on communicating about the commitments. (Commission on Sustainable Development of Finland 2016 B, cited 31.5.2016.)

2.3 CSR reporting

People expect companies to operate responsibly and CSR is now a current issue, but what makes public to believe that responsibility really takes a place in business? Following symbolic description from Prof. Thomas Beschorner may explain the current situation in the best way: “The cynics say that CSR is like a teenage sex; everybody says they are doing it, but few actually are. And those who really do it, do it rather badly.” (Beschorner 2012, cited 31.5.2016.)

EU Commission’s CSR strategy emphasizes the role of reporting and in year 2013 it even proposed new legislation that makes CSR reporting mandatory for companies with over 500 employees. Also Finnish government requires CSR reporting from the unlisted companies that are government owned. (Niskala et al. 2013, 7.)

Financial reporting of companies dates back to the Middle Ages when Mr. Luca Pacioli described the double entry for the first time in 1494. Financial reporting has evolved over time so that today we have common international accounting practices and generally accepted accounting principles. Accounting criteria are taught in primary schools all over the world. The same cannot be said for sustainability reporting, which is just beginning its development. (Niskala et al. 2013, 14.)

The first CSR related reports were published in the early 1980s, but they included only environmental aspects at that time. Broader concept of corporate responsibility has begun to stabilize in use during early 2000s. Sustainability reporting enables businesses to measure and explain environmental, economic and social impacts more widely and clearly than traditional financial reporting alone. CSR reporting is primarily a tool to support the company’s own decision making as well as means to increase transparency in accordance with the growing expectations of stakeholders. (Niskala et al. 2013, 14-15.)

A growing number of companies publish the so called CSR report, either as a separate entity or as part of the financial statements and management report. To prove accountability of its operations

and to achieve the aimed benefits companies must be able to identify the correct elements of CSR, measure them accountably as well as traceably and finally communicate it successfully. CSR measuring and reporting is a process in which factors affecting the state of CSR are examined using the similar kind of methods as are used in measuring company's commercial success. CSR measuring requires analysis, monitoring systems and score cards which are strongly linked to business strategy and management. (Niskala et al. 2013, 10-13.)

CSR reporting is becoming more popular and is developing rapidly at the same time. CSR measurement and reporting practices are approaching traditional accounting practices with the development of required standards and tools. Accounting Act requires already now businesses to present many CSR related indicators in their financial statement reports. As CSR reporting evolves and becomes more popular the calculation formulas and measurement methods are expected to take more standardized shape. Therefore CSR information will become verifiable and traceable in the same manner to the financial statements. (Niskala et al. 2013, 10-13.)

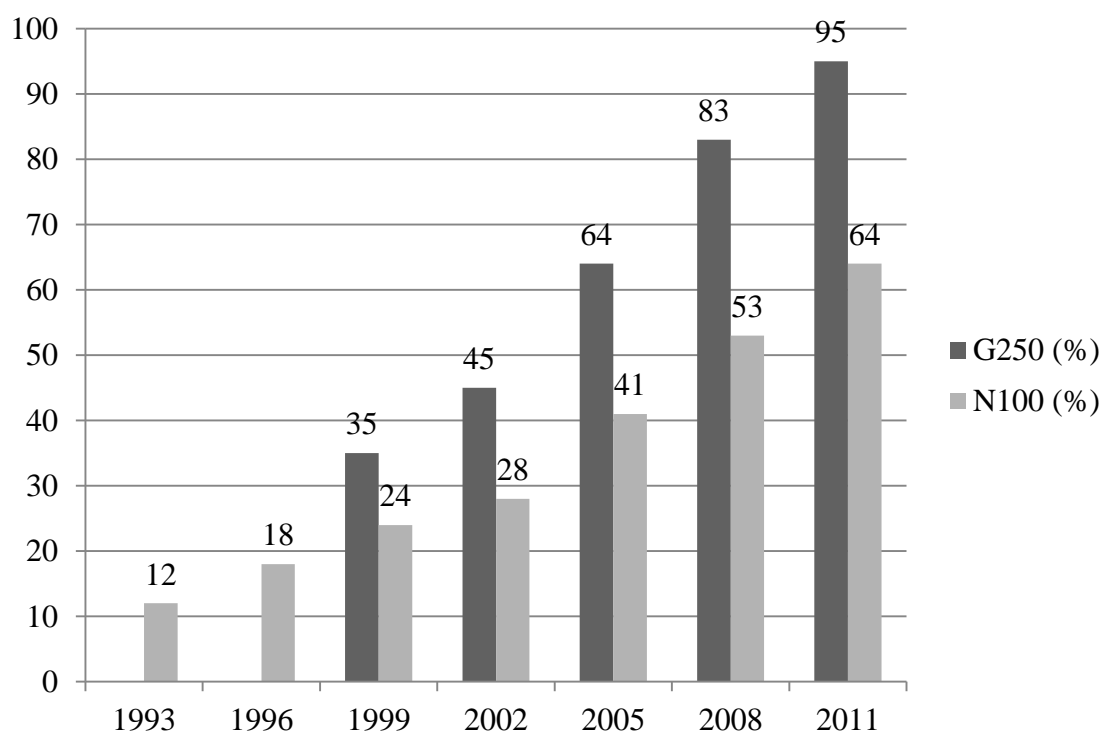


FIGURE 4 CSR report publications (Niskala et al. 2013, 13)

Expectations of markets, stakeholders and regulators, as well as examples of the pioneer companies and opinion leaders are increasing the level of businesses transparency rapidly. The

Carrot and Sticks report shows that in 2013 there was more than 180 CSR obligation or initiative in the world (a graph below) and KPMG research also shows that 95% of the world's 250 largest companies reported on their CSR in 2011 (a graph above). (Niskala et al. 2013, 12-13.)

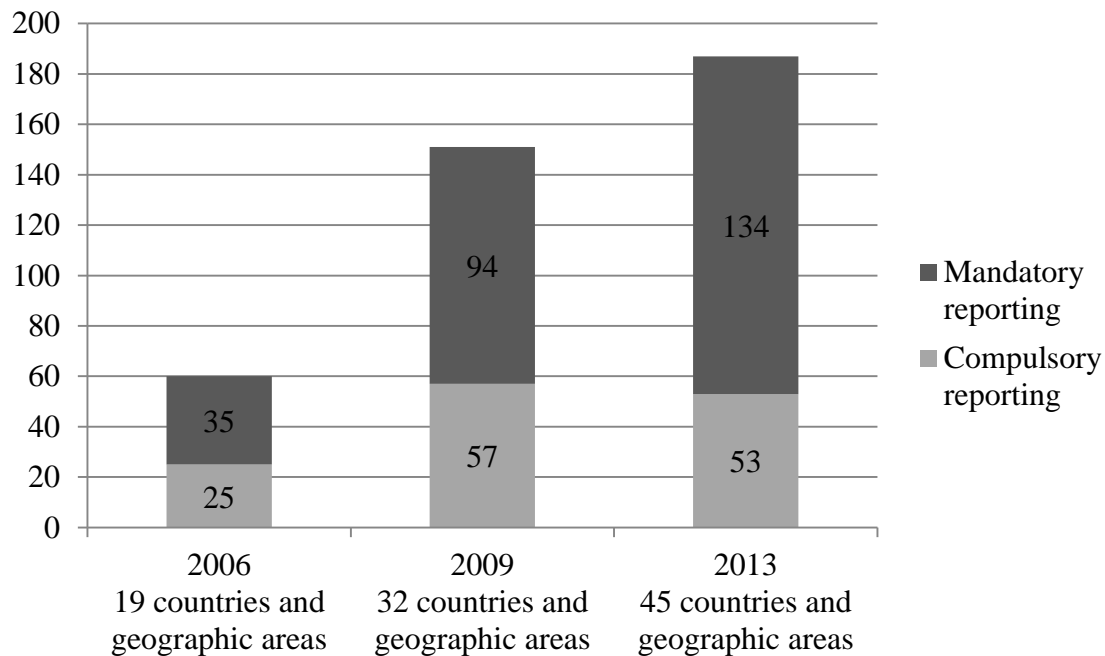


FIGURE 5 CSR obligations and initiatives (Niskala et al. 2013, 12)

2.4 CSR reporting process

CSR is a broad topic which includes a number of aspects from all business areas. CSR report, in addition to being an excellent tool for managing decision making, it is also the most credible corporate responsibility communication tool that responds to the increasing CSR expectations of the business environment. Successful CSR communications affect positively the company's reputation and image, operating conditions as well as value development. (Niskala et al. 2013, 100-101.)

It is important to note that CSR reporting is a multi-step process, which is determined by different expectations of the operating environment as well as internal needs and resources of the company. As a result, the planning and implementation of CSR are always company-specific. CSR reporting and management form a seamless entity to which company-specific determinations and firm commitment build the necessary foundation. (Niskala et al. 2013, 101.)

The picture below presents the link between external and internal viewpoints as well as the linkages between CSR management and reporting. GRI guidelines provides framework for the implementation of internationally and the most popularly agreed process. Therefore following GRI guidelines allows the best opportunities for effective utilization of the report. (Niskala et al. 2013, 101.)

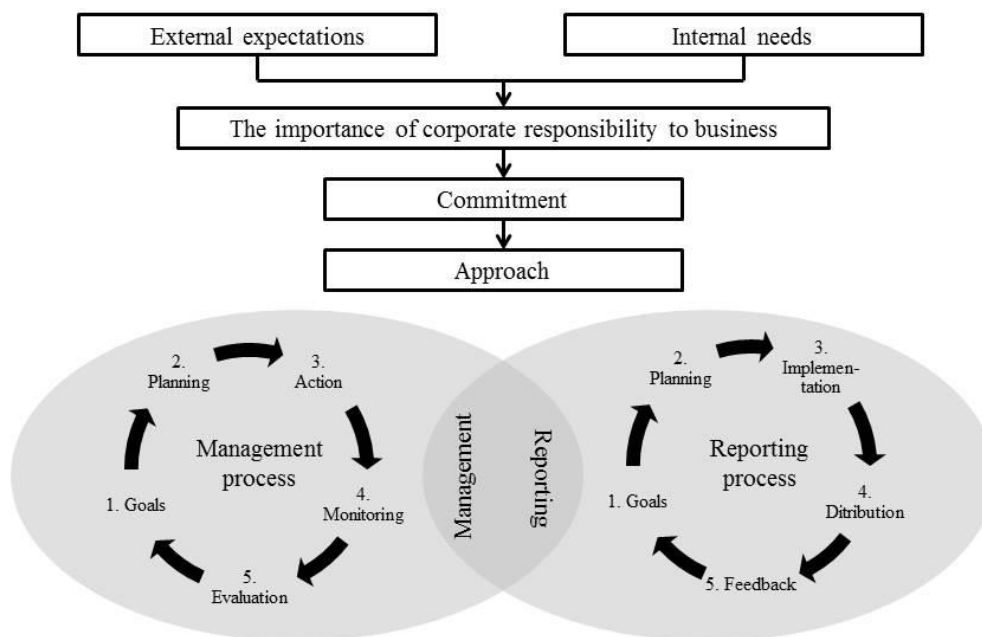


FIGURE 6 CSR processes and implementation indicators (Niskala et al. 2013, 101)

Essential elements of CSR management and reporting process are goal setting, action planning, monitoring and evaluation of the results of selected CSR operations. Goals can and should be result of a careful and realistic analyzes and determinations which are having regard to the company's resources, industry and the operation environment. Well documented CSR strategy and operating principles guide CSR program implementation and achievement of objectives. By systematic management, implementation and monitoring the measured CSR results can be successfully reported and communicated to stakeholders. (Niskala et al. 2013, 102-103.)

2.4.1 CSR plan

During CSR planning companies should aim to achieve a concrete implementation plan which reveals schedules, resources and detailed content. It is recommended to record from which CSR areas data will be gathered, what information exactly, by whom and by what methods. The planning phase includes determining how the collected data will be analyzed as well as what, when and by

which channels CSR information will be published. Finally, it is good to agree how the quality and reliability of the obtained CSR information will be ensured and if report should be certified by an independent third party. Well organized plan including detailed responsibility areas and timetables ensure fulfillment of the desired objectives. (Niskala et al. 2013, 103.)

2.4.2 CSR analyzes

Fields of CSR and sustainable development as well as GRI guidelines which are created for leading and reporting them, are all really large and complex entities which include a number of areas and a myriad of details. As a result, companies should carefully analyze and limit what, how and why they are about to begin to measure and develop. Despite the extent of GRI guidelines, companies should use GRI indicator table at an early stage to guide their CSR operations, since they are the most common and most capable existing CSR guideline. All 149 CSR indicators in GRI indicator list do not consider all companies and small companies may easily begin CSR reporting by selecting only 10-15 indicators from the GRI indicator list. Only large multinational corporations have the majority of GRI indicators under a systematic follow-up and reporting. Systematic developing, measuring and reporting of CSR is justified to begin when the most relevant CSR aspects are limited in the terms of company and its stakeholders. (Kuisma 2015, 83-84.)

Recognizing the most essential aspects and stakeholders is the key part of the goal setting and successful CSR reporting process. Only by knowing the most important stakeholders and their expectations it can be known how to prepare a report to respond to their expectations. Stakeholder analysis helps form a picture of the extent and necessary content to which the company should aim in its CSR reporting. A stakeholder analysis often reveals whether a company should adhere to a specific reporting guidelines and whether the report should be certified. For example, by acknowledging the expectations of the main stakeholders the company is able to construct the content of the report to answer the most important questions by using minimal resources. This may be an important notion for SMEs which often must conduct operations of this kind with very limited resources. (Niskala et al. 2013, 104.)

In addition to stakeholder analysis, the analysis of essence focuses on determining which aspects and indicators are the most relevant for the company itself. The most essential CSR issues are often closely related to the company's core business, development and risk management

strategies. For example, environmental issues are often in a key role for the energy companies, whereas staff competences and work satisfaction may be more essential for companies offering physiotherapy services.

Determining the coverage of the CSR review is an important part of the analysis of essence. Businesses should analyze and record which parts of value chain as well as which external and internal effects are covered on CSR tracking and reporting. For example, companies may examine responsibility of raw material acquisition or recycling arrangements after usage of their products. (Kuisma 2015, 83-86.)

2.4.3 CSR management

CSR management does not differ from any other business management area. For a long time CSR management and evaluation was seen and implemented as a separate part from other business management areas. Nowadays it has been understood that CSR management aims to develop business operations to improve the company's profitability and efficiency as any other business management area, it only includes more viewpoints and more active interaction with company's stakeholders. In particular, CSR management aims to improve integrity and transparency of business operations. (Kuisma 2015, 50.)

Establishing a specific CSR taskforce is pivotal part in successfully implementing CSR program. Especially on SMEs where CSR is still quite unfamiliar topic, it is highly recommended that the task force includes key persons from different management areas to enable sufficient information flow and decision making power. Task forces responsibility is to establish and present a CSR plan which includes elements and indicators strongly linked to the company's core values, vision and business strategy. The plan should also be carefully formed by the stakeholder analysis and the materiality analysis. After a CSR program has been launched CSR task forces responsibility is to manage the process so that data can be collected and results reported. During the entire process CSR task force monitors that given responsibility promises will be fulfilled and possible commitments are followed. (Kuisma 2015, 52-53.)

Construction and practices of task force are instructed and presented on the main source of this thesis. The writer of the book and one of the most experienced CSR professional in Finland, Mr.

Jouko Kuisma gives highly detailed instructions on member selection, scheduling and program of task force operations. CSR can offer great advantages in today's business environment if implemented carefully and taken seriously. Good management practices are the key element in achieving the optimal benefits.

2.4.4 Publishing CSR report

The above described steps are influencing the final form of the report, content and decisions considering report publication. After stakeholder expectations and essential aspects are clear, the structure, format, content and the need for external assurance will become clear, too. Decisions concerning publishing the report are often timing, format and content customizing related topics. For example, it is common to share more detailed written documentation for owners and investors whereas visually appealing presentation works better on the company website. However, CSR reporting is an ongoing process in which data is collected continuously. Therefore the content and information is increasing and changing by time. It is recommendable to collect feedback on published CSR reports from stakeholders to respond their changing expectations continuously. (Niskala et al. 2013, 104-105.) The picture below illustrates that CSR reporting is a multi-stage process which includes many questions to be answered before the actual report can be published.

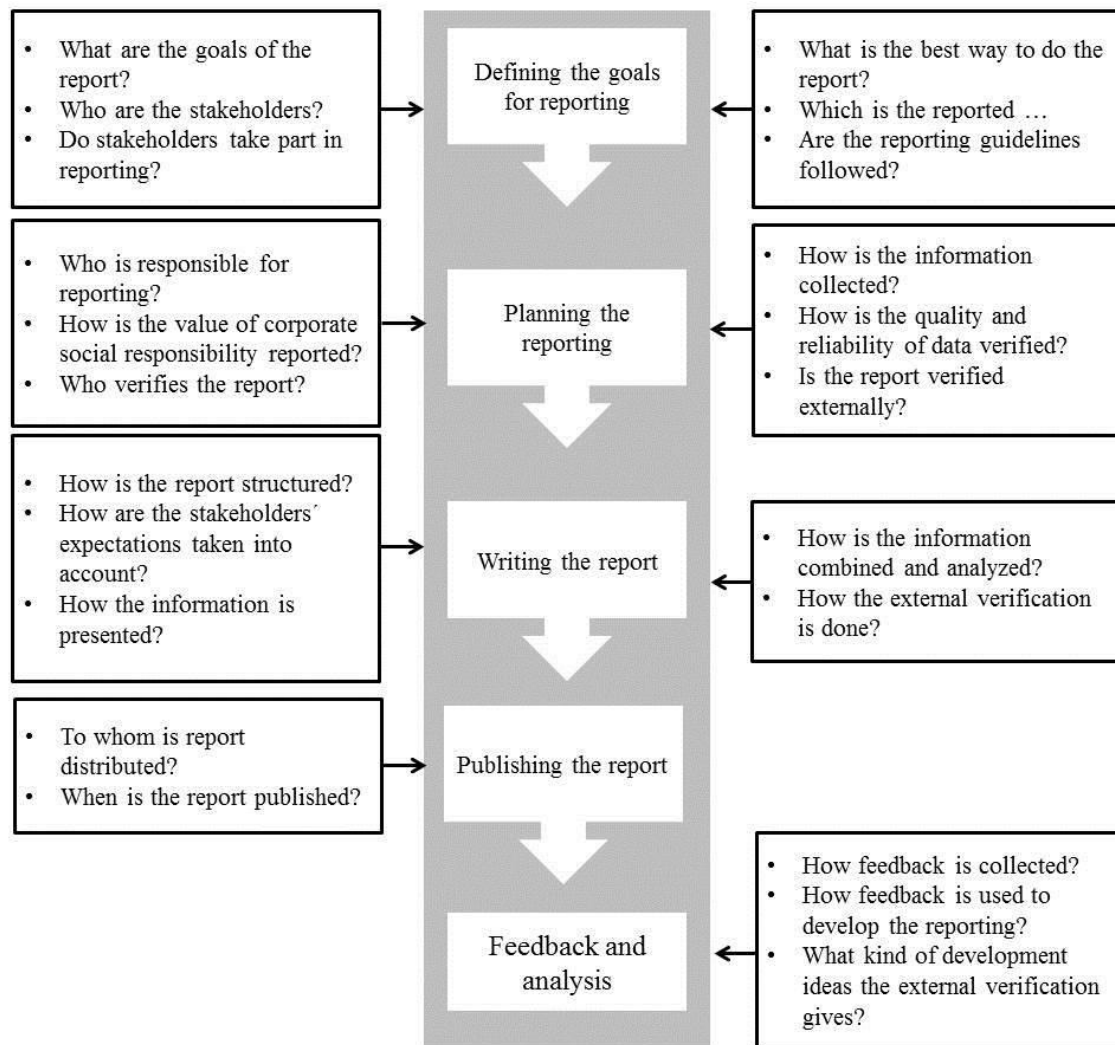


FIGURE 7 Reporting process (Niskala et al. 2013, 105)

2.5 The Global Reporting Initiative

The Global Reporting Initiative (GRI) was formed by the initiative of the United Nations Environment Programme (UNEP) and the Coalition of Environmentally responsible Economies (CERES) in year 1997. GRI is widely accepted reporting guideline for CSR reporting. GRI is managed by non-profit organization located in Amsterdam, Netherlands. GRI institutions continue to collect information and funding from a broad stakeholder group to develop reporting guidelines and to make their use more popular among businesses. GRI guidelines are confessed as generally accepted guidelines for CSR reporting by The EU Commission, Global Compact and the OECD. Development of the GRI guidelines results as a cooperation between investors, financiers, companies, government agencies, research institutes as well as representatives of consumers, trade unions and

environmental movements. GRI has registered service providers which offers certified training services, tools and information systems for companies' use. (Niskala et al. 2013, 106-112.)

GRI reporting guidelines are built around the Triple Bottom Line (TBL) concept and they include a wide range of indicators for reliable measurement of CSR in all areas. In addition to environmental, social and economic responsibility indicators, GRI also includes indicators for describing product liability, social relations and management systems. (Kuisma 2015, 16.)

The aim of GRI is to make CSR reporting popular and develop it into standardized format. This could enable businesses CSR information to be reliable and comparable. GRI G4 reporting guidelines were published in May 2013 and they are the latest and the most sophisticated version of the CSR reporting guidelines. They include reporting principles and practices similar to well-established international accounting models and therefore guide businesses CSR reporting process. Furthermore, CSR data collection and calculation methods have developed over the years so that they can be effectively applied to different types of companies. However, it should be remembered that GRI guidelines have been developed from the viewpoints of large international enterprises and therefore may be difficult to implement as such for SME sector companies for whom CSR reporting is mainly voluntary based and which has limited resources available. (Niskala et al. 2013, 106-112.)

The list below contains the most common reasons why conducting CSR operations and publishing CSR report are recommended for SMEs.

- CSR review and reporting opens new perspectives that can improve business performance and create new business ideas for the company.
- EU Commission is preparing a new directive for the year 2017 which makes CSR reporting mandatory for the large enterprises with over 500 employees. The format of future reporting obligation is not fixed, but the GRI guidelines can be assumed as they are the most widely accepted CSR reporting guidelines.
- CSR reporting obligation will soon include SME sector indirectly as SMEs' often work in a linkage with large enterprises as a sub-contractors, service providers or suppliers.
- Yet any CSR reporting requirement does not consider SMEs and therefore SMEs could select key figures and indicators from the easiest and the most profitable CSR areas.
- Beginning CSR reporting in accordance with GRI guidelines enables a number of benefits during the process and it facilitates the full adoption of GRI reporting when needed.

Conducting CSR related actions and preparing CSR report are currently voluntary based for SMEs and could therefore be considered as a continuous development tasks. Voluntary characteristic enables SMEs to optimize CSR operations and reporting with resources available. There is a high possibility that SMEs face new requirements to prove their level of CSR in the future either by authorities or by business associates. Therefore it is recommended to begin CSR operations immediately and thus prepare for the future requirements. (Niskala et al. 2013, 100-110.)

2.6 The GRI guidelines

The GRI G4 guidelines include altogether 149 pcs of individual CSR indicators for measuring and reporting a specific CSR related aspect. GRI manual, which can be found from the GRI's official website: www.globalreporting.org, contains 266 pages. Therefore, it would be impossible to include all the key figures from all the CSR areas in this thesis. GRI website offers a great deal of detailed information on the implementing instructions and reporting principles which are highly recommended to be read through before beginning CSR reporting.

Actual GRI guidelines have not been translated into Finnish whilst writing this thesis, but the main source of this thesis, Corporate responsibility, Reporting and accounting principles by Mikael Niskala, Tomi Pajunen and Kaisa Tarna-Mani, KHT-Media Oy, 2013 is a very comprehensive and detailed GRI reporting handbook written in Finnish. In addition, GRI website contains useful information and instructions on reporting in English. (Kuisma 2015, 193-195.) Picture below is taken from the GRI's website and it shows the main sectors of CSR.

| CATEGORIES AND ASPECTS IN THE GUIDELINES | | | | |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Category | Economic | | Environmental | |
| Aspects ^{III} | <ul style="list-style-type: none">• Economic Performance• Market Presence• Indirect Economic Impacts• Procurement Practices | | <ul style="list-style-type: none">• Materials• Energy• Water• Biodiversity• Emissions• Effluents and Waste• Products and Services• Compliance• Transport• Overall• Supplier Environmental Assessment• Environmental Grievance Mechanisms | |
| Category | Social | | | |
| Sub-Categories | Labor Practices and Decent Work | Human Rights | Society | Product Responsibility |
| Aspects ^{III} | <ul style="list-style-type: none">• Employment• Labor/Management Relations• Occupational Health and Safety• Training and Education• Diversity and Equal Opportunity• Equal Remuneration for Women and Men• Supplier Assessment for Labor Practices• Labor Practices Grievance Mechanisms | <ul style="list-style-type: none">• Investment• Non-discrimination• Freedom of Association and Collective Bargaining• Child Labor• Forced or Compulsory Labor• Security Practices• Indigenous Rights• Assessment• Supplier Human Rights Assessment• Human Rights Grievance Mechanisms | <ul style="list-style-type: none">• Local Communities• Anti-corruption• Public Policy• Anti-competitive Behavior• Compliance• Supplier Assessment for Impacts on Society• Grievance Mechanisms for Impacts on Society | <ul style="list-style-type: none">• Customer Health and Safety• Product and Service Labeling• Marketing Communications• Customer Privacy• Compliance |

FIGURE 8 Categories and aspects of GRI guidelines (GRI 2016, cited 31.5.2016)

As the figure 8 above shows, CSR includes three main categories. They are economic responsibility, environmental responsibility and social responsibility. Social responsibility is then divided into four sub-categories which are labor practices and decent work, human rights, society and product liability. All categories and subcategories include a large number of different indicators. GRI guidelines include altogether 149 pcs of different CSR indicators for measuring and reporting the state of CSR. In GRI code the G4 stands for latest guideline version and EC, EN, LA, HR, SO or PR prefix reveals the CSR area that the specific indicator represents. As an example, GRI G4-1 is a part of general standard disclosures and it stands for statements of most senior decision makers of the organization. G4-1 reveals the relevance of sustainability and responsibility to the organization and organization's strategy for addressing responsibility. Whereas GRI G4-PR9 can be found as a last indicator in GRI indicator lists and it reveals the company's "Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services".(Kurittu 2015)

The content of the GRI reporting guidelines consists of reporting principles, standard disclosures and implementation manual sections. In addition, there are a large number of industry specific application instructions called sector supplements. This thesis does not present the sector supplements but it is recommendable to familiarize with them to get the best possible guidance for writing a CSR report. The purpose of GRI guidelines is to harmonize CSR reporting for making it more popular, reliable and comparable. (Niskala et al. 2013, 111-113.)

GRI G4 reporting guidelines emphasize the application of the relevancy principles on the basis of the company's own analyzes. To get company's own CSR report certified and widely accepted it must fully follow the GRI reporting guidelines. This means the report must be in accordance with GRI reporting guidelines, but the application level has two options: comprehensive level or core level. The core level is a more restricted version and designed for all organizations. In core level organization presents a corporate background, basic data, enterprise management system and CSR vision, leadership, principles, strategy as well as analyzes carried out. In addition to the basic section, the core level reporting explains the importance of CSR within the organization, the nature of interaction between stakeholders, essential aspects and boundaries identified and overall principles of business ethics. In comprehensive level reporting companies are required for wider and more detailed reporting about their CSR strategy, management and ethics. (Niskala et al. 2013, 114-116, 139.)

GRI reporting guidelines contain a separate part for reporting principles, which is for determining the content of the report, aspects of quality assurance and the format of presentation. Following the guidance of reporting principles ensure that the report provides a balanced and accurate picture of the company's activities and results in various areas of CSR. The aimed coverage of CSR issues is called completeness and it should be defined and presented in a report. For example, enterprises are recommended to determine and present if reporting is extending throughout the operating associated companies or not and give reasons for possible limitations. The relation to sustainability and responsibility of reported matters should be clearly seen from the report. (Niskala et al. 2013, 115-136.)

Selected items and key figures as well as limitations made concerning calculations, content coverage and time period coverage should be clearly mentioned in the report so that the overall coverage of the report can be evaluated. Accuracy, timeliness, comparability and reliability are all

areas that are guided by GRI reporting principles. They are also areas that are evaluated and should therefore be carefully dealt with. Reporting data should be relatively recent and collected with good measurement techniques; therefore results can be compared and original sources verified by external authenticator. (Niskala et al. 2013, 115-136.)

2.6.1 Economic responsibility

In describing the company's economic responsibility, the basic idea is to show the direct and indirect economic impacts of company's activities to stakeholder groups in addition to owners which can be seen from traditional financial reports. The company's activities must be economically responsible from the customers', partners' and local community's perspective. It shall be remembered that economic success of company lays the foundation for companies' CSR work. (Kuisma 2015, 88.)

Mr. Jouko Kuisma is one of the CSR pioneers in Finland and the author of the main source of this thesis; a book called "Mainetta ja tulosta, Yritysvastuun lyhyt oppimäärä". He emphasizes the importance of CSR for the economic success as follows: "The systematic implementation of CSR is always improving profitability of the company, in other words it will bring savings that outweigh the costs". Development of the CSR measures undoubtedly improve the company's financial performance in the long term, but there can be seen conflicting areas between valuation of listed companies and CSR dimension in certain issues. For example, after large scale redundancies stock prices of listed companies often rise sharply, which company's shareholders welcome positively, but for other stakeholders, such as laid-off workers the event has also negative effects. The fact is that a company cannot set its profitability under a threat by keeping people at work if it cannot afford it or there is no criteria for keeping a certain number of employees. (Kuisma 2015, 88-89.)

The required information for reporting about economic responsibility is generally available from the company's accounting records, financial statements and financial management information systems. In small and medium-sized companies the publication of financial information is often not as extensive as in listed companies, so the level of disclosure will be defined at the initial phase. A minimum level of economic information according to the GRI guidelines include revenue, profits, number of employees, company's principal owners as well as describing the costs accumulated by

salaries, social security expenses and taxes. Economic responsibility indicators enable monitoring and analyzing how earnings generated by business operations are divided during the different economic cycles between different stakeholders as the owners, the staff, the tax authorities and for example non-profit organizations. (Kuisma 2015, 89.)

Tax Footprint is a well-established concept in presenting corporate tax payments, although it is not required by GRI guidelines. The company may specify and submit tax payment information according to tax footprint concept in which case it is interesting to see the ratio of direct and indirect taxes from company's net sales and profits. Tax footprint presentation should include companies' all operating countries and all stages of value creation. (Kuisma 2015, 90.)

GRI reporting guidelines promote assessment of the economic impacts of the climate change. The climate change is a serious issue causing long-term changes in operating environment and for the societies all around the globe. In Finland the climate change discussion highlights the opportunities of so called clean tech-industry, but only few SME sector companies have taken climate change seriously into account in their sales and profit estimates. It is not known if Finnish companies are preparing to climate change at all or if they are having their future forecasts as a business secrets. (Kuisma 2015, 91.)

In addition to the above mentioned economic responsibility indicators, the GRI guidelines include presenting the salaries paid in accordance with gender and sex division as well as in relation with the minimum wage. Also share of purchases from local producers and aid for non-profit organizations are recommended to be presented. Less used economic figures include presentations about government grants, company's market position and personnel post-employment obligations. (Niskala et al. 2013, 300-307.)

2.6.2 Environmental responsibility

Environmental responsibility and environmental responsibility reporting created a foundation for the concept of CSR. Environmental responsibility is still the most commonly recognized aspect of sustainable development. The guiding principle of sustainable development is that we consume non-renewable resources as sparingly as possible and renewable resources only to the extent that their regeneration is ensured. (Kuisma 2015, 94.)

Mr. Eero Yrjö-Koskinen, The Executive director of Finnish Association for Nature Conservation, argues that the carrying capacity of the environment is in a serious crisis and yet mankind continues the exploitation of nature faster than the nature has time to regenerate. The limit values for the greenhouse gas concentrations, the nitrogen levels and natural biodiversity endangering has been seriously exceeded. The oceans are becoming more acidic, the atmosphere particulate loads are increasing and the chemicalization of our living environment is getting into dangerously high levels. Moreover, the situation is worsening at an alarming rate. Humanity's current behaviors are contributing to progression of several environmental disasters, mainly because environmental impacts of operations are not sufficiently taken into account. It is said that humanity acts isolated from the reality set by a biosphere. To remedy the current situation financial planning and economic system should be adjusted in accordance with the natural carrying capacity. For example the net energy perspective and taxation driven by environmental perspectives are mentioned as a solutions by Mr. Yrjö-Koskinen. (Kuisma 2015, 95.)

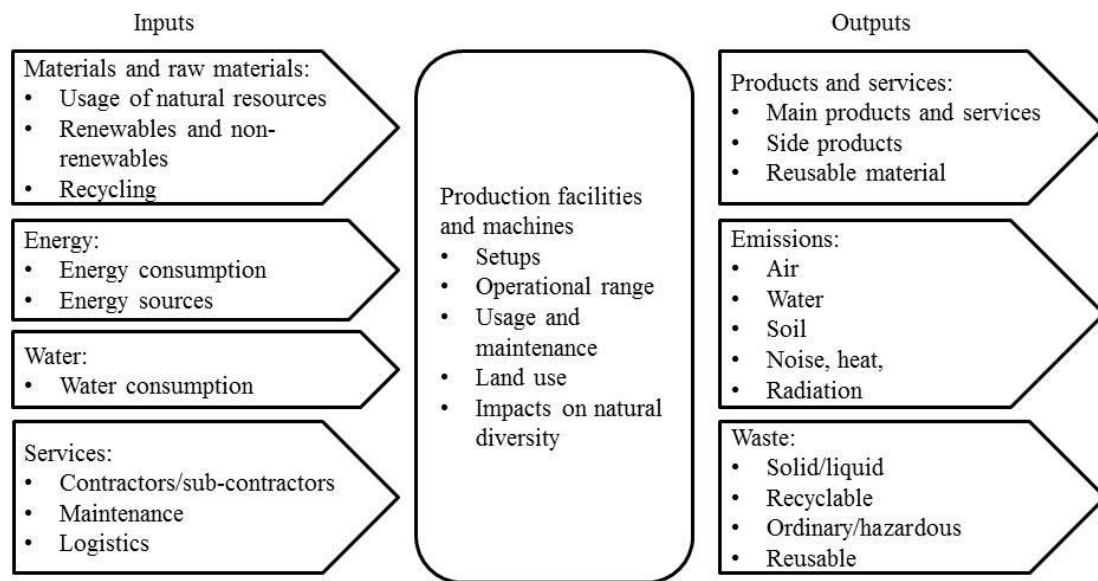


FIGURE 9 Environmental responsibility (Niskala et al. 2013, 177)

The figure 9 illustrates the environmental responsibility from the CSR perspective. Basically it means systematic monitoring of the company's environmental impacts. Companies' operations are impacting environment for example by consuming energy and materials as well as by producing waste and pollutions. By monitoring and reporting environmental impacts companies are able to improve their energy and material efficiency. Solutions may consist replacing the non-renewable

energy sources with renewables, reduction of material wastage and increase in the proportion of recycled materials. (Kuisma 2015, 96-98.)

Energy related indicators will cover the key aspects of companies' internal and external energy consumption. Indicators measure and report companies' direct and indirect energy consumption, companies' energy intensity, measures designed to reduce energy consumption and energy efficient products and services produced by the company. In addition, to defining energy usage the emission and climate change related analyzes are essential part of energy aspects. (Niskala et al. 2013, 309-310.)

Indicators measuring the usage of materials and proportion of recycled materials are the key environmental indicators in GRI guidelines, but their reporting intensity is modest compared to their significance. Measures and innovations aimed at reducing the material usage have always the cost decreasing impact in addition to the positive environmental impact. According to Finnish Energy Efficiency Agency, Motiva savings potential associated with the use of materials in companies operating in Finland is up to 1-6% of net sales and 5-20% of material costs. (Kuisma 2015, 98.)

Energy efficiency also provides very high savings potential, which can be achieved by companies' own choices. Companies can nowadays measure their energy consumption very precisely and try to cut down unnecessary energy consumers. Companies can grow share of renewable energy sources in total energy consumption by investing in own small production or by purchasing certificated renewable energy. A wider shift in energy production from non-renewable to renewable energy sources is not happening to the cleaner direction in a pace justified by science, but it is slowed down by political and economic power game, which takes place both national and international levels. (Kuisma 2015, 96-100.)

The use of non-renewables is causing depletion of resources as well as emission related problems, which both are aimed to be reduced by emission limitations. Emission calculation is one of the central part of the environmental responsibility reporting and there are number of calculation standards available. Large companies may apply the Green House Gas Protocol (GHG) or ISO14064 calculation standards for calculating their greenhouse gas emissions. Whereas in SME-sector companies calculation and reporting of greenhouse gas emissions is often limited to the emissions caused by logistics and emissions released because production of purchased electricity and thermal energy. Good sources of information for SME-sector companies' emission calculations

are VTT's Lipasto-calculation system and emission data submitted by the energy companies. (Kuisma 2015, 100-106.)

2.6.3 Social responsibility

In the GRI guidelines, indicators of social responsibility are divided into the issues concerning staff wellbeing and working conditions, compliance of universal human rights, interaction between society and local communities as well as responsibilities related to product liabilities and consumer protection (Niskala et al. 2013, 338). Principles of GRI guidelines concerning personnel, human rights and working conditions are based on the UN Declaration of Human Rights, universal labor rights defined by ILO and the instructions provided by OECD. The principles cover companies' direct and indirect social responsibilities. Companies' social impacts are guided by the OECD and the UN guidelines and regulations concerning international fair competition and prohibition of bribery and corruption. The key issues of product liability are related to consumer protection issues, such as safety and health of products and services as well as issues concerning customer privacy, provision of the right information and marketing practices. (Niskala et al. 2013, 189.)

The section of social responsibility is very wide and the compliance of direct and indirect impacts may be challenging, in particular due to global supply and subcontracting chains. Nevertheless, supply chain responsibility has become one of the top themes of CSR and it is worth paying attention to this. Principles for the supply chain responsibility are derived from the ILO conventions and national laws concerning association rights of employees, working hours, remuneration issues, health and safety, as well as prohibition of forced labor and child labor. Today, almost in every industry supply chains extend to low labor cost countries due to price competitiveness offered by them. A major drawback of the price competitiveness is that it has often been achieved at the expense of labor and human rights. It makes companies highly vulnerable to reputation risk. Human right organizations and other stakeholders are today efficiently finding out labor and human right violations and companies must ensure that their own business activities are not linked to violations even through the most complex supply or subcontractor chains. (Kuisma 2015, 141-142.)

Media and the general public have also taken human and labor right violations seriously and therefore companies must be able to prove their responsibility on all stages of supply chain. Companies requiring their suppliers and subcontractors by contract papers to follow principles of

international labor and human rights as well as local laws is alone not enough. Even within the EU there are countries where legislation imposes labor and human right issues to a good level, but the control of the laws is either insufficient or controllers are easy to bribe. Poorer the country is more badly the labor and human right situation gets. As a result, a number of industries are nowadays having organizations in guiding and supervising accountability of supply chains. One of them is the Business Social Compliance Initiative (BSCI) which is operating under a Central Chamber of Commerce. (Kuisma 2015, 141-146.)

In Finland and in a number of other developed countries labor laws and collective agreements set the CSR requirements at a high level and the implementation is supervised and controlled by occupational safety and health authorities, trade unions and law enforcement agencies. Even so, the labor and human right violations take place and rise a question of the valuation of the workforce in today's business. Instead of meeting the minimum requirements of laws, companies should take into account that often staff is the most significant capital that the company has. The staff's wellbeing, competences and job satisfaction are directly related to company's financial success. Investments into good management, staff's skills, satisfaction and well-being are improving the company's productivity. (Kuisma 2015, 126-130.) Occupational Health Research Professor Mr. Guy Ahonen says even that "Return on well implemented work well-being investments are 5-6 times higher than the original investments" (Kuisma 2015, 130).

Michael Porter's and Mark Kramer's "Shared value" concept, according to which the economic added value of the company is created so that the added value is generated simultaneously to company's stakeholders, can clearly be seen in matters concerning responsible staff principles. In a socially responsible business added value gets distributed between company's owners, employees and also employees of companies in the supply chain. This clearly shows that CSR should not be isolated from actual business operations as a charity programs or donations, but as a part of the company's core business. By integrating social responsibility into business operations companies' are able to improve their own profitability and long term operating conditions. (Niskala et al. 2013, 17-20.)

Some of the social responsibility GRI indicators and key figures can be found from the companies' own databases, whereas for example supply chain related issues may require a lot of effort and accuracy. Basic information of social responsibility section should include at least the number and structure of staff, description of the company's staff policies and changes in these. The increase in

employees can tell stakeholders about the company's growth strategy, but it also reflects increase in personnel costs. Excessive changes in personnel structure may indicate potential problems with the corporate culture, especially if changes are skewed by any sexual, age or ethnic background. Social responsibility indicators tell a lot about company's values, principles, management and operational models. Especially regular evaluation of staff satisfaction is important not only in terms of CSR reporting, but also for individual employees, organizational development and achievement of business objectives. (Niskala et al. 2013, 189-192.)

3 CSR IN SME CONTEXT: CASE SUOMEN TALOTEKNIikka

CSR's demand increases for many different reasons and a growing number of CSR reports are published annually. Some of the main responsibility indicators and reporting standards are already widely accepted, but the whole CSR topic is still in an evolution phase. For the company which is at the early stage of CSR operations it is highly recommendable to familiarize themselves with the latest publications on CSR and especially on GRI guidelines as well as handbooks for CSR management. The main source of this Thesis: "Mainetta ja tulosta, Yritysvastuun johtamisen lyhyt oppimäärä, Jouko Kuisma" offers excellent tools for Finnish readers who are operating among CSR topics. The book includes step-by-step instructions for CSR management which turned out to be very valuable during the case study phase of this thesis.

MNE's has been conducting CSR reports for many years now and Global Reporting Initiative is beginning to take its place as global standard for CSR reporting. Nevertheless, the terms and operations from the field of CSR are still unfamiliar for the most SMEs in Finland and that is why only small minority of SMEs have released their CSR reports at this point. Often SMEs do not have enough well trained employees to conduct CSR programs and write CSR reports by themselves nor do they have enough money and interest to invest in consultant services which would enable them to reach several of the CSR goals. (Kuisma 2016.)

The most important single driver for Finnish and other European SMEs may well be the EU directive that requires enterprises to report CSR related matters in year 2017. Similar kind of new requirements for enterprises have already shown in the past, that enterprises will immediately require their suppliers and subcontractors to ensure that their operations meet the enterprises' new demands. (Horttanainen 2016.)

This thesis attempts to underline that companies' CSR communications should not slip into a grey area of "green washing". Green washing in this context refers to telling something more positively than what the truth is and trying to convince public by CSR communications without actual, measurable and traceable CSR operations backing them. (Beschoner 2012, cited 31.5.2016.) As one of the CSR pioneers in Finland Mr. Jouko Kuisma said during the CSR competition lectures for SME-sector representatives: "Tell the truth, the whole truth and nothing but the truth".

3.1 CSR in Suomen Talotekniikka

The actual CSR project began when Suomen Talotekniikka (STT) signed for a “Yritysten Yhteiskuntavastuu-kilpailu” which was the first CSR competition in Finland targeted for only SMEs. The competition was facilitated by South-Savo’s Chamber of Commerce and local Centre for Economic Development, Transport and the Environment (ELY). The competition lasted for one year starting with companies’ self-evaluations in spring 2015 and ending in a prizing ceremonies at Entrepreneurship Gala in Pieksämäki, January 23th 2016. The competition offered a great frame for STT’s CSR process with a one-year program including lectures, coordination support and evaluations.

The competition included a wide selection of lectures on CSR matters which enabled companies to join the competition without high level knowledge of the CSR matters. STT participated in all five lecture days and invited the competition coordinator once to visit the STT premises and discuss the STT’s CSR process. The one-year project was a great learning process which was supported by high level lectures from visiting CSR professionals, coordination support from competition organizer and not to forget a role of fellow competitors who were sparring each other through the whole competition. For the final evaluation the competition jury used the European CSR Award Scheme-evaluation frame which was also delivered for the competitors during the competition.

Self-evaluation phase at the beginning successfully introduced the CSR theme for STT representatives and also clarified that STT had already in advance put effort on matters that could be seen contributing to better corporate responsibility. STT had already made major investments on new enterprise resource planning system and on energy efficiency business model that it was developing. Also employees’ satisfaction research was conducted at the same time when the competition started. On the basis of already active business development programs and the European CSR Award Scheme- evaluation frame STT’s CSR task force formed a vision about the final outcome in which to aim with company’s CSR project. The self-evaluation and final evaluation frame combined with the GRI reporting guidelines and insights from the leading CSR professionals guided task force’s way in establishing CSR program for STT.

Enthusiasm and passion for studying the theory of CSR was guaranteed by being able to participate in the leading CSR professionals’ lectures and having an opportunity to interview them personally. The idea of a holistic approach to CSR and integrating CSR into the core of STT’s business strategy

originated as writing this thesis and coordinating the actual CSR program took place simultaneously. Management of the commissioning company STT supported the propositions and thus gave an amazing opportunity for this case study to actually create and reform existing principles, business strategy and policies according to CSR principles. And as the competition jury wrote in the winner's diploma: "STT has succeeded to take CSR into basis of its business strategy." Integrating the CSR viewpoints into company's core business strategy was seen as a pivotal factor in STT winning the competition.

3.1.1 CSR planning

After the first competitors' meeting and lectures it was obvious that the CSR project would need an official task force to be gathered from different STT organization levels. Lecture materials instructed that a holistic approach to a CSR requires decisions and data gathering from every business sector and therefore this case study proposed STT to select 4-6 persons amongst its organization to ensure success of CSR project. STT mandated case study to set a CSR task force and call it to the meetings and workshops when necessary.

The competition program provided a great frame for this case study and therefore for STT's CSR planning. The most important CSR questions were first studied by reading the CSR literature and attending to the competition lectures. As a result of studying the theoretical background the case study phase proposed CSR planning related decisions for the STT directors and managers to be made. The main CSR planning decisions were conducted during two STT CRS task force's meetings in summer 2015.

The figure 10 illustrates all the steps during the whole CSR process. The competition was the driving force to begin actual CSR reporting preparations in STT, but it was clear from the beginning that there were no ambitious goals to win or other way to succeed in that competition. STT directors and STT's task force agreed that the competition will work as a learning process and an opportunity to evaluate company's performance from new viewpoints. The end result of this case study shows that when the competition was left to a side role and understanding the CSR as well as integrating it into STT's business strategy become the main task, the result turned out to be the best.

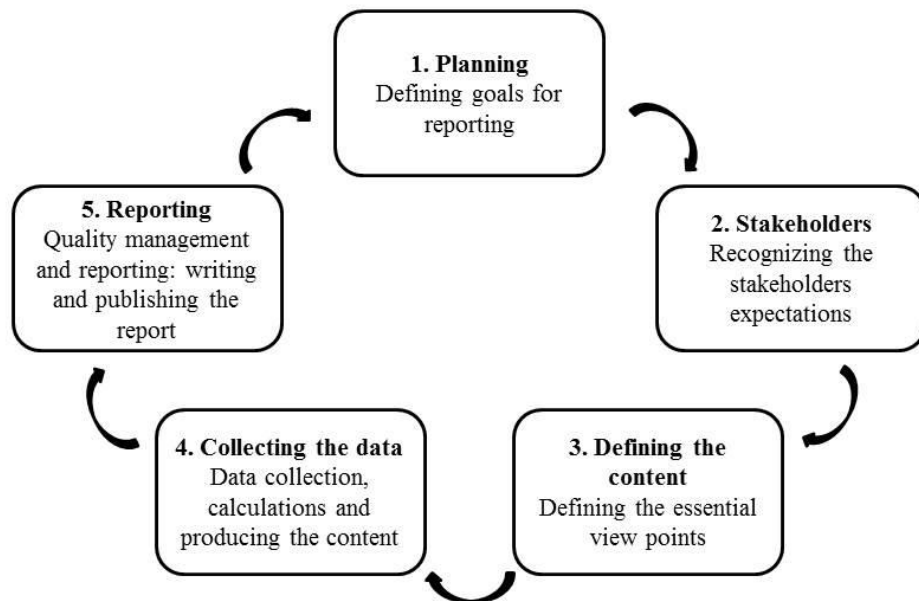


FIGURE 10 CSR Process steps (Niskala et al. 2013, 103)

When the task force was active and the main goal of STT's CSR project was clear planning phase moved to work with more concrete topics. The picture above demonstrates the whole process of CSR project in commissioning company STT. The case study prepared analyzing workshops for the STT's CSR task force to conduct stakeholder, materiality and competitor analyses. The case study also suggested STT to publish a code of conduct and list of main principles of the organization to work as a ground for its CSR project. The main responsibility focus areas were chosen in accordance with the results of analyzes and decided what GRI indicators will be followed and how.

The case study of this thesis included planning, coordinating and reporting STT's CSR program for one year so that the company was able to provide competition jury the needed responsibility materials. Created program serves continuity and further developing of CSR in commissioning company as well as provides material for future CSR communications. As the theory part of this thesis shows, CSR reporting is a continuing process where all produced material works as a background for future reporting. Therefore the planning phase can be repeated and updated later with accumulated data and experience. Companies can add or change the approach and responsibility indicators in the future according to its needs.

3.1.2 CSR taskforce

The first thing for a case study to begin with was to find out who are the people who could and should participate in the CSR project. In SMEs resources are often tight and people already have their hands full and any extra work may easily be seen negatively. Besides level of personal interest, the knowledge and decision making power of the participants are important. Especially strategic CSR goes into areas where often only the highest authorities have the needed data and decision making power. It is therefore highly recommended to include highest decision makers in the task force and establish a straight communication forum to company's government.

In the commissioning company's case this case study was able to get both, powerful decision makers as well as employees with high personal interest and knowledge about the different CSR indicators. STT's directors allowed this case study to set a CSR task force which included two owners of the company and named key persons for all the responsibility main areas; economy, environment and social. Case study part of this thesis was to plan, coordinate and report the whole process of STT's CSR project and therefore I was chosen as a CSR coordinator and a secretary for the STT's CSR task force. STT's CSR task force agreed on different responsibility areas and set a plan and schedule for its operations. That enabled task force to commit into establishing CSR program for commissioning company STT and prepare an action plan for implementing it.

3.1.3 CSR is about the very foundation

The self-evaluation form included questions from every main CSR areas and gave explanations for different responsibility indicators for the beginning phase of STT's CSR project. The most of the topics were familiar for all the task force members beforehand and the answers were easy to give, but some of the questions led STT's CSR task force to evaluate company's business operations and effects from a totally new viewpoint. In the self-evaluation phase STT evaluated its beginning responsibility level and set the aimed responsibility level in the future. Self-evaluation illuminated that STT did not have major problems on any responsibility areas and it had already started development programs on areas that could be seen as CSR operations. A good understanding of responsibility issues and own advanced development programs enabled STT to integrate the responsibility with its mission, vision, values, principles and business strategy.

The commissioning company Suomen Talotekniikka, like many other SME's, had not written down its vision, mission, values or principles. Documenting company's core values and principles as well as vision and mission was an operation that was backed by CSR theories and company's management. Afterwards it could be seen to contribute significantly to CSR program's as well as company's overall development. The actual data was collected from business unit leaders and company's directors. Then the collected data was formulated by workshops to Code of Conduct and Corporate Governance documents which were then signed by a board of members. Those documents included many CSR elements and served as a basis to STT's all future CSR operations.

The final Code of Conduct and Corporate Governance documents were delivered to all business unit leaders and they were included to STT's final CSR report. CSR competition jury especially mentioned good level of Corporate Governance being an important part of STT's winning CSR effort. STT will utilize the created documents in many different forms in the future. STT is preparing a handbook for all of its employees and company's marketing brochure that will both include information about company's Code of Conduct and Corporate Governance that are derived from its values and principles.

Creation and documentation of company's Code of Conduct and Corporate Governance documents as well as clearly communicating about company's values, principles, vision and mission was not seen as important in the beginning as they finally turned out to be. Besides working as a basis for all CSR operations they are also slowly but surely effecting on company's organizational culture and to ways how it operates. As Mr. Kuisma writes it on his book: "If values are well defined and taken seriously, they work as a great tool for managing and developing the company" (2015, 59).

3.1.4 CSR analyzes lead the way

Theories concerning CSR analysis were first studied during the competition lectures before analyses were applied for the commissioning company's use by the case study. The case study prepared the company-specific analyzing frameworks and invited the STT's CSR task force to a workshop where the actual analyzing phase was conducted and documented.

Companies are recommended to conduct many different CSR analyses from their own viewpoints. By situation analysis the company is supposed to evaluate its current state of CSR, by a risk analysis company analyses the risks included in CSR operations and by a competitor analysis the company analyses the main competitors' state of CSR. The two main CSR analyses are called stakeholder analysis and an analysis of essence. Both of them are very important for setting the right goals and finding the best practices to meet the goals. This chapter shortly describes STT's main analysis and how they affected to STT's final CSR program. Below is a picture that illustrates essence of different CSR related aspects analyzed from corporation's own perspective and from stakeholders' perspective. By this analysis STT selected the development areas and indicators that it begun to measure, develop and report.

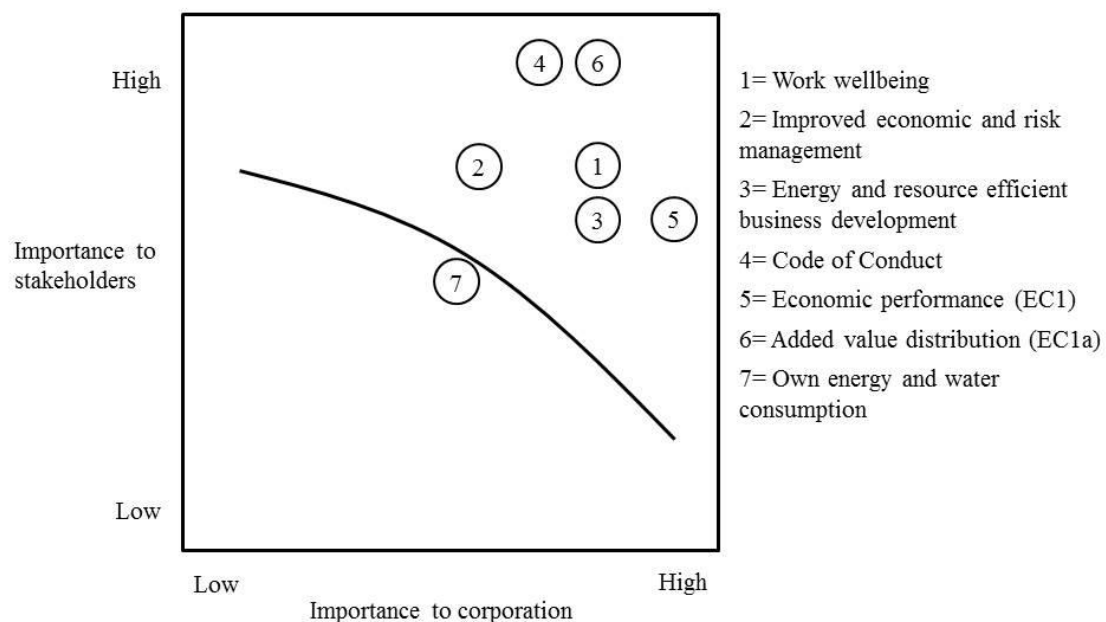


FIGURE 11 STT's results of CSR analyzes

Stakeholder analysis

The workshop begun with recognizing all the company's stakeholders and defining their expectations for STT. Stakeholders were rated by their significance to company's operations, decision making and future operating conditions. Moreover, the company's own influencing possibilities to a different stakeholders were analyzed. After company's stakeholders were defined and ranked in an order by their significance, the interaction with them was also analyzed. STT analyzed its current interaction with different stakeholders and how it responded to stakeholders' perceptions. According the analyses STT set indicators for following and measuring the development of stakeholder interaction in the future.

STT's CSR task force agreed that employees and customers form company's most important stakeholder groups and therefore it focused on developing interaction with both of them. STT had just before conducted its first work wellbeing survey and therefore the employee satisfactory information was well available for the analyzing. STT's CSR task force saw that employees' satisfactory level effects on many things related to CSR as well as overall business performance and therefore, it decided to launch a wellbeing program as its main social responsibility action. STT's wellbeing program and its measures were planned according the results of the analyses and findings on employees' satisfactory research. The program included follow-up of certain indicators and repeating the satisfactory research after two years.

On the basis of CSR analysis, STT's CSR task force suggested customer satisfaction research to be conducted in autumn 2016. Customer satisfaction research is prepared in cooperation with Mikkeli University of Applied Sciences. The research will include CSR related questions to be used in future analysis on customers' expectations for STT's CSR operations. Sustainable development and CSR are growing trends and therefore CSR reports are been published in growing numbers. By customer satisfaction survey and its CSR related questions STT is about to research more detailed what kind of CSR viewpoints its customers are appreciating the most. That enables STT to develop its CSR program and reporting to meet the stakeholders' expectations.

Analysis of Essence

After STT's stakeholders and their expectations were analyzed the workshop continued to analyze what CSR related issues are the most essential for STT itself and how it should measure them. Analysis of essence is a central part of CSR and CSR reporting. It does not only determine the form and content of the report, but it also paves the way for CSR development program and management decisions that will lead to fulfill promises and achieve goals. Analysis of essence is crucial especially for SMEs because they do not face any legal obligations effecting to their decisions. For that reason SMEs are allowed to pick up the most essential CSR indicators and decide freely on how they report on them. SME's are free to choose from what CSR fields it is about to report, what parts of its value chain it is about to report, how it will report and what indicators it will use in evaluating its CSR. Use of GRI indicators and reporting principles are highly recommendable for their high possibility to become in mandatory use in the future.

The schedule for STT's CSR project was tight because of the competition and resources for managing, evaluating and reporting CSR operations were very limited. Those were the most influential reasons in STT's analysis of essence and limitations that were made according to it. By limiting the CSR program and reporting STT was able to accomplish the selected development programs, evaluate the results and deliver the CSR report for the competition jury on time. STT's CSR task force identified many interesting and essential CSR indicators during the analyzing process that were left out from the first tracking period and CSR report because of the tight schedule and limited resources. Those indicators and reporting contents can easily be added in later point of time when STT's CSR operations and reporting becomes more routine or when certain demand makes including them essential.

In many cases the results of stakeholder analysis and analysis of essentials are overlapping. For SMEs it is allowed to pick up 10-15 CSR indicators to be reported. This is why it is recommendable to choose CSR matters and indicators that score highest on both of the analysis. In STT's case the most essential CSR matters were company's economic sustainability through improved risk management, work wellbeing and business development of the company's energy and resource efficient business model OptiGreen™.

3.1.5 CSR indicators and data collection

After the analyzing workshop STT chose CSR indicators from different fields of CSR that were the most essential for itself and for its main stakeholders. STT's CSR task force then set goals on each indicator and started to draw a plan on how to measure the development and reach those goals. Each plan included documentation on operations for improving certain indicator as well as for following the improvement. For the beginning STT chose only few CSR indicators that it started systematically improve and follow. The plan was to make small improvements for the start to be able to deliver traceable documentation for the competition jury as well as ensure that company's limited resources enable conducting the promised CSR program and publishing a report about the results. Table 1 demonstrates the GRI G4 table of indicators. The first column on left tells which indicators are required to be handled to fulfill GRI core level reporting standard. Column on right side includes all the indicators that are required to fulfill the comprehensive level reporting standards. The table of indicators together with descriptions of indicators were great help for STT's CSR task force in deciding STT's indicators.

TABLE 1 GRI indicators (GRI, 2016, cited 31.5.2016)

| | Requirements for core level | Requirements for comprehensive level |
|-----------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| General Standard Disclosures | | |
| Strategy and Analysis | G4-1 | G4-1, G4-2 |
| Organizational Profile | G4-3 to G4-16 | G4-3 to G4-16 |
| Identified Material Aspects and Boundaries | G4-17 to G4-23 | G4-17 to G4-23 |
| Stakeholder Engagement | G4-24 to G4-27 | G4-24 to G4-27 |
| Report Profile | G4-28 to G4-33 | G4-28 to G4-33 |
| Governance | G4-34 | G4-34 to G4-55 |
| Ethics and Integrity | G4-56 | G4-56 to G4-58 |
| General Standard Disclosures for Sectors | Required, if available for the organization's sector | Required, if available for the organization's sector |
| Specific Standard Disclosures | | |
| Generic Disclosures on Management Approach | Only essential CSR perspectives | Only essential CSR perspectives |
| Responsibility indicators | Minimum one indicator for each essential sector | Every indicators for each essential sector |
| Economic indicators | EC1 to EC9 | |
| Environmental indicators | EN1 to EN34 | |
| Social indicators | | |
| - Personnel and work conditions | LA1 to LA16 | |
| - Human rights | HR1 to HR12 | |
| - Social impacts | SO1 to SO11 | |
| - Product liability | PR1 to PR9 | |
| Industry specific disclosures | Required, if available and recognized as essential for the organization | Required, if available and recognized as essential for the organization |

For example the sick leave data was collected during the STT's work wellbeing survey. The data was analyzed during the work shop which resulted STT setting a goal for sick leave levels in the future. For reaching smaller number of sick leaves STT launched work wellbeing improvement program as a part of its CSR program. Program started by evaluating and improving company's contract with health service provider. Improved contract includes more preventive services from the health service provider which then reduces the risk of sick leaves. STT administration improved its communications on work wellbeing issues, started to prepare a wellbeing event for spring 2016 and arranged activity credit cards for all of its employees which enable them to use activity and culture services for 400€ per year.

STT chose its CSR indicators from GRI indicator list to enable further CSR reporting according to GRI guidelines. STT's first CSR report does not fulfill GRI requirements and could not be certificated in its current form. STT's first CSR program and reporting were conducted as a case study for this thesis and they were aimed to fulfill competition requirements under a tight schedule. The current situation enable STT to continue implementing the created CSR program and follow its results. STT can develop its reporting to fulfill GRI or some other requirements in the future. As the theory part of this thesis argues CSR for SME's is still voluntary and informal by its characteristic, therefore reporting is recommended to begin immediately and develop it a year by year.

3.2 STT's CSR program

CSR program of SME can and should look like its creator organization. GRI guidelines include altogether 149 CSR indicators and it is recommended to choose only 10-15 of them to be followed. There is no universal code how a company should handle CSR related matters or conduct CSR operations. Selection of indicators should be a result of careful analyzes that clarify essential CSR viewpoints from the perspective of organizations core business strategy and stakeholders perceptions. For some company the CSR can mean an action plan to improve paper recycling at the company's offices and donating to charity work. But for modern companies aware of global sustainability issues and who want to gain competitive advantage by being recognized as a responsible, the company the aim is to integrate CSR into company's existence.

GRI guidelines may work as a handbook, but especially SMEs should not immerse themselves too much into CSR reporting principles, methods, standards or norms to avoid excessive amount of work and unnecessary information. It is allowed and even recommendable for SMEs to think CSR in a terms of return on investment and focus on things that are the most essential and beneficial for itself. Focusing on a few important key factors ensures company's sustainable economic performance which is already a part of CSR and only economic sustainability can enable company's further CSR investments in the future.

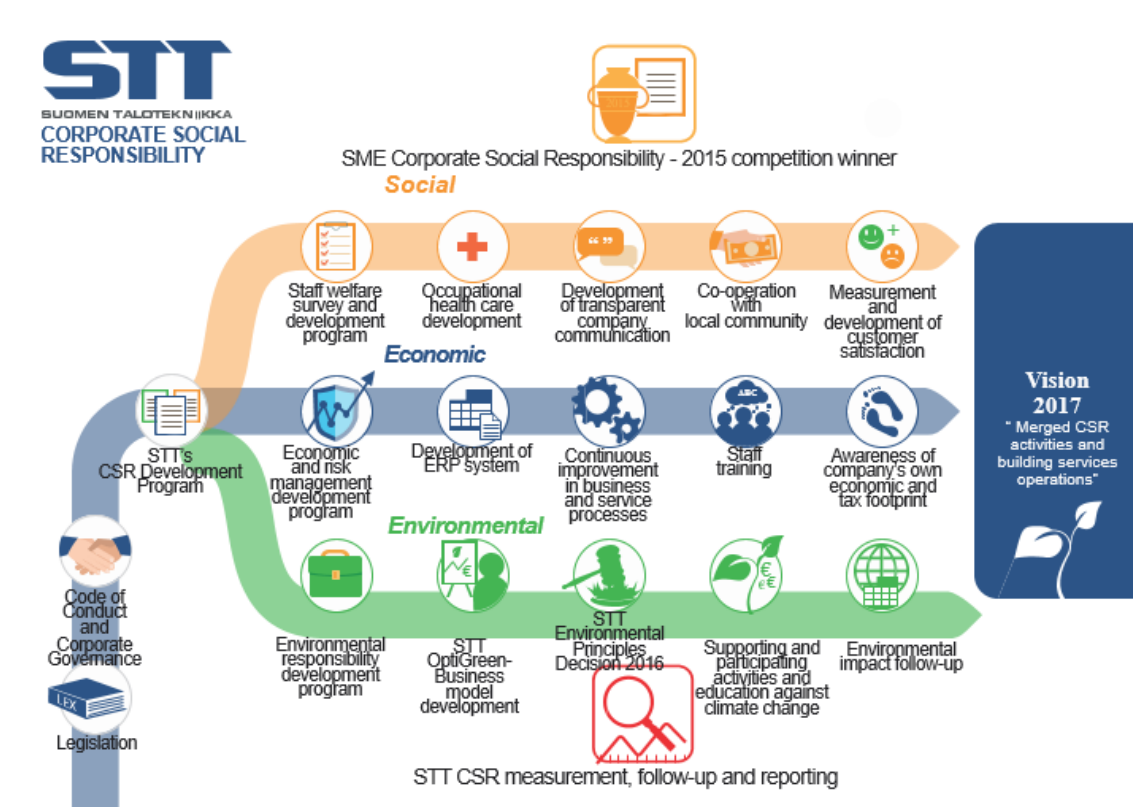


FIGURE 12 STT's CSR program

Figure 12 presents STT's CSR program with all of its development tasks. This chapter presents the main idea of it and describes selected CSR measures in a more detailed manner. The program can be read from left to right. It starts with the legislation which works as a minimum level of CSR. Finnish laws and decrees are set high and also controlled well from the CSR perspective. CSR related laws do concern companies elsewhere in the world as well, but often law enforcement and control may be weaker, especially in developing countries. STT's CSR program starts with a commitment to follow all laws in any circumstances.

The next step of STT's CSR program is for Code of Conduct and Corporate Governance. This means STT takes responsibility even further from level that is required by laws and decrees. It means STT has set its own principles for responsibility and ethics that it upholds and requires from its associates. In STT's CSR program it means for example actively cherishing and promoting equality on genders, sexualities and ages as well as environmental friendliness in all of its actions. Creating Code of Conduct and Corporate Governance principles as well as integrating them with company's values, vision and mission were the central things of CSR program. Those actions have been praised for continuously improving organizational culture into more modern shape enabling many positive phenomena to take place.

The third step in STT's CSR program includes three main paths; development programs for social, economic and environmental responsibility. STT set development programs with four main improvement areas for all three fields of responsibility. For example in development program for economic responsibility the company is systematically improving following aspects. STT developed and applied new ERP-system for better project follow-up and improved risk management. Company is actively developing its operations and services in cooperation with its customers to create more added value for them. As a result innovative service models save STT's customers' money by improved energy efficiency and reduced maintaining costs. STT is also investing in staff competences and its employees have achieved new professional level qualifications for example in energy auditing. The last but not least, the step of STT's economic responsibility is transparent following and reporting of company's economic activities, for example in a form of tax foot print. A reader can find a picture demonstrating STT's transparent economic follow up in chapter 3.2.3.

STT's CSR program is a result of analyzes and plans that were made by a case study and according to the theoretical sources of this thesis. The program was officially launched at the end of year 2015 when the final form of STT's CSR report was published. The program is currently active and CSR operations are taking place on all of its three main paths. STT's CSR task force coordinates and documents the CSR operations at least until the next CSR report publication in 2017. Development of STT's CSR indicators can be evaluated after the next publication by comparing it to the STT's first CSR report. STT won the CSR competition with its program and is purposefully implementing it and aiming to its vision to merge CSR thinking strongly to Finnish building technology industry.

3.2.1 CSR management and follow-up

STT's CSR program is currently active and STT's CSR task force is coordinating the operations and collecting the data for the next CSR report publication in 2017. STT's CSR program includes wide range of CSR actions which are implemented according the plan and schedule that were agreed for the first implementing period. Operations are active on all three main CSR areas and STT will evaluate the development at the end of year 2017 when current CSR program's implementing period ends. STT will repeat the work wellbeing research, conduct a customer satisfaction survey and monitor its own energy and material usage and recycling intensity. As a part of environmental responsibility STT systematically follows the development of its energy and resource efficient business model with indicators related to turnover, investments, customer base as well as energy consumption and emission reductions enabled by it.

CSR operations are coordinated by STT's CSR task force and managed by business sector leaders and other personnel. STT's Task force together with STT's directors select responsible people for each CSR indicator who are called 'a unit leader' as they are responsible for business areas related to that certain CSR indicator. STT's CSR task force presents the chosen CSR indicators and explains how they will be monitored. STT's CSR task force representative and a unit leader agree on aimed goals and practices leading to goals. STT's Task force representative also gives instructions on CSR management and awarding principles to enable successful CSR management and accomplishing agreed CSR targets.

STT's CSR task force is responsible of CSR communications. When company's CSR goals and plans are well communicated internally all company personnel can contribute to it by bringing new ideas and joining operations. Also monitoring and data collection is more welcomed when a reason for it is well explained. Task force's important responsibility is to communicate targeted CSR goals and development so that whole organization relates itself to the operations. For example reaching a targeted waste reduction level in a certain business unit may trigger a friendly competition for another business unit to reach the same goal. The best result will be ensured with a proper recognizing of a CSR accomplishments.

3.2.2 CSR reporting

CSR data for the report is recommended to be collected during the whole CSR program process including the planning, analyzing, implementing and following phases. Description of reporting process and report structure itself is one part of GRI reporting and therefore continuous data collection and documentation from the beginning benefit the final reporting phase. Including the analyzing and planning related documentations into the final CSR report helps reader to understand the limitations and chosen CSR indicators. When CSR reporting is seen as a continuous process all phases support each other and provide necessary information for the final CSR report document. Stakeholder analysis and analysis of essence determine the form and content of the CSR report. Well planned and coordinated CSR data collection enables producing different versions of CSR report from the same data for different uses.

STT's first CSR report was published mainly for the competition purposes under the tight schedule, therefore it contained only limited amount of CSR indicators with documentation of less than one year tracking period. STT has already developed and reshaped its CSR report for other stakeholders' purposes. In addition to several paged written document that was delivered for competition jury STT has produced more visual versions of its CSR report data to its employees and customers.

STT's first CSR report did note company's current position from the CSR perspective and worked as an official announcement for STT's CSR program, principles and commitments. Since the publishing the first report STT has implemented many CSR related actions according to its CSR program and documented them for the future reporting. STT has planned to release its next CSR report in year 2017. In that report STT is able present conducted CSR operations and evaluate the results based on comparisons to the situations in the first report. Currently STT does not aim to fulfill any CSR reporting certificates or plan to use external auditing for its report. Nevertheless, STT follows GRI guidelines in its data collection and reporting to make future certification possible if there occurs a need for it.

3.2.3 CSR communications

Corporate responsibility has become a rapidly growing trend among many industries. Markets, investors, authorities and the general public have begun to weight responsibility in their decision making. Consumers are more conscious about environmental and social issues behind the cheapest products and share of fair trade products is growing rapidly. Investors and financiers are interested or even required by authorities to care for due diligence and compliance to avoid reputation risks that investing on irresponsible businesses may cause. News and especially social media are continuously showing stories about catastrophes and problems caused by irresponsible actions of corporations. These and many other phenomena are driving companies to promote their CSR as a part of their marketing communications.

CSR communications is really challenging topic for companies. Latest years have provided great examples how companies have promoted their CSR in many forms of marketing communications, but then at the same time have been caught acting irresponsible. Volkswagen's emission fraud and Stora Enso's child labor usage happened even the both companies had published CSR reports and done great CSR actions for long time (BBC 2015 and Business & Human Rights Resource Centre 2014, cited 31.5.2016). That shows us especially two things; firstly, public interest towards CSR is increasing and information is hard or even impossible to be kept hide and secondly, CSR is a very complicated and extensive concept which requires holistic approach and a great understanding through various analyzes and careful planning.

CSR communications applies various forms of marketing communications and communications tools range from television to annual CSR reports that are often provided with annual financial reports to investors. The most important notion considering CSR communications is that actions speak louder than words. First company needs to conduct actual responsible behavior and then it needs proper means by which to demonstrate that. Therefore transparent and traceable CSR reporting is a key element in enabling successful CSR communications. The picture below is from STT's CSR report and it communicates about STT's added value distribution. From the picture reader can see how STT's total turnover is distributed between some of its main stakeholders.

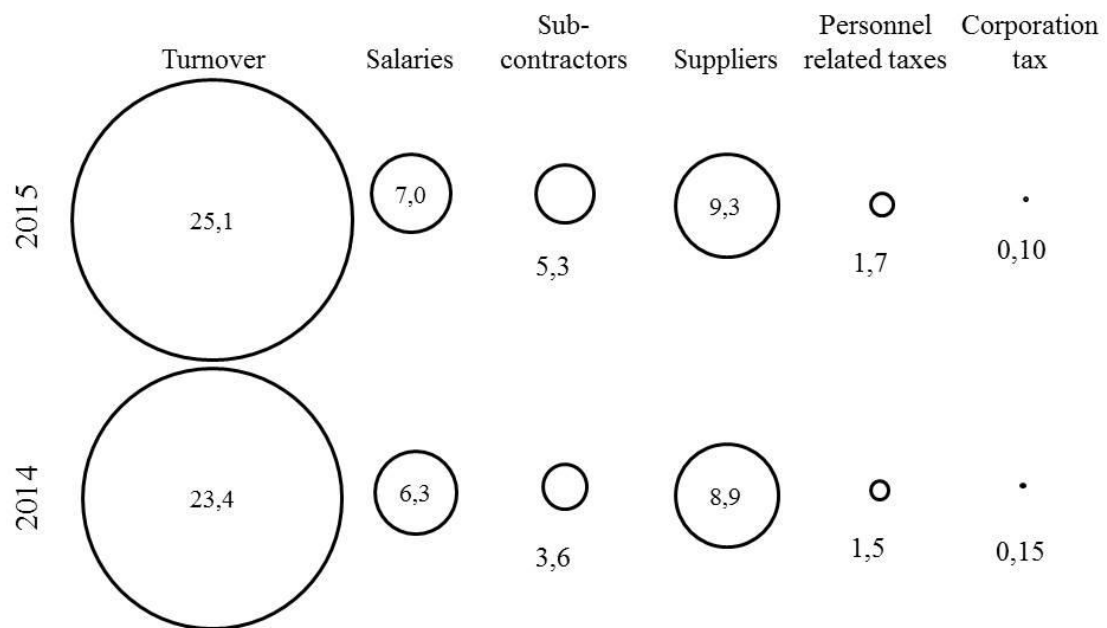


FIGURE 13 STT's turnover distribution

STT's CSR communications plan was only lightly shaped during this case study because of the limited timeframe and recourses. Content of the actual CSR report works as a basis for all the CSR communications and it is used as a source for different uses. Targets, structure, channels and other marketing mix perspectives may vary, but the data used is based into CSR report.

STT is including the CSR perspective on its own digital marketing communications and it is actively engaging itself into cooperation with organizations that are involved to promoting CSR. Key elements of STT's future CSR communications will include participating to FIBS corporate responsibility network and giving STT's own commitment towards sustainable future on "Commitment2050". The actual CSR communications plan will be conducted in autumn 2016 when customer satisfaction research results and updated stakeholder analysis data are available.

4 CONCLUSIONS

People, who understand the alarming state and range of sustainability issues that our current way of living is causing, are well aware of the need for a transformation of our economy to a more sustainable path. On 25 September 2015 at UN General Assembly global leaders adopted 17 Sustainable Development Goals (SDGs) and 169 targets of the 2030 Agenda for the Sustainable Development. These ambitious and universal sustainability goals came into force on 1 January 2016. SDGs are not legally binding but countries are responsible for following up and review the progress made in implementing the goals. For proving information on their commitment and progress of it, countries require good quality, accessible and timely data collection. (UN 2016, cited 31.5.2016)

The most important aspect is to study and agree on processes that will drive the changes we need to make in order to achieve sustainable economy. Companies have a significant role in our society and their operations have impacts on every field of sustainability. Traditional decision making and regulatory by politics is under a severe crisis and cannot make the necessary change in a timeframe required by various sustainability threats. New drivers for conducting more sustainable and socially responsible business are occurring.

In a modern information society, the necessity to solve sustainability problems creates new routes to make direct impact, of which the rise of CSR is a great example. Instead of politicians and authorities slowly adjusting the rules and regulations for companies, companies are forced to take huge leaps in the field of CSR because markets are reacting to responsibility and sustainability issues. A good level of CSR is becoming as a 'license to operate' for companies in many markets. (Rantanen 2016, cited 31.5.2016.)

GRI guidelines seem to play a significant role in advancing the sustainability and corporate responsibility because both of them come true only by companies beginning to act more sustainably and responsibly. Therefore companies CSR data should be transparent and comparable as well as based on reliable indicators and measurement means. (Rantanen 2016, cited 31.5.2016.)

But rather than hiring an outside consultancy office, or even worse, marketing agency, to write a CSR report for the company, managers and owners should start to see their business operations

as a part of bigger picture. Through analyzes mentioned in this thesis, companies are able to form a decent picture of their current state of CSR and pros and cons in it. Latest CSR knowledge promotes companies to measure and evaluate impacts of their own business actions, rather than considering to use part of their profits to charity work. CSR evaluating has proved to bring great variety of new viewpoints that support business management and help recognize development areas that were hidden before. In many cases analyzing the company's own operations and impacts from CSR perspective have even opened new business opportunities.

Setting company specific CSR principles, conducting careful analyses and constructing an action plan for the most essential aspects have proved out to be the ingredients in a receipt to success. By focusing on concrete actions and communicating clearly on them, companies have been able to improve their competitive advantage in many ways with their CSR operations. As the entire topic of CSR is under continuous evolution and all businesses differ from each other, it is not recommendable to try to imitate other companies' doings, but rather to try to find company's personal way to conduct CSR operations. Analyzes, plans, programs, report and communications could and should all be in compliance with the company principles. Everyone understands that a small town florist's CSR report looks different from an international logistics enterprise's CSR report, but they both might put effort on CSR matters in their company's operations.

Beginning CSR operations and reporting immediately after reading this thesis have three main reasons. Firstly, our way of life is currently unsustainable and surviving of our species needs serious actions and everybody's participation. Secondly, CSR operations, reporting and communications are popular and they offer a great deal of opportunities for companies that understand it. For a third and last reason, it is allowed or even recommended to start with a small and grow CSR by time. Your company does not need to be the most responsible today, but it might do something which contributes to sustainability and its operations may well be really responsible. Developing CSR is an ongoing development process which educates the developer itself: If there's a will there's a way. Today's sustainability issues are so severe that they require bold actions. As Ms. Susanna Saikkonen from Miltton Consultancy Agency well said about today's CSR communications, they are moving: "From building brands to taking stands". (FIBS 2016.)

5 DISCUSSION

As a writer of this thesis I must argue that the topicality and significance of this issue were on a very high level. During the writing process, I have witnessed both positive and negative phenomena of CSR taking place in our society. I dare to take Volkswagen's emission fraud as an example here as it was in the main news headlines all over the world for a long time. Also so called the "Panama papers" leak occurred during the writing this thesis. These both incidents are, not just about irresponsibility taking place in today's business environment and causing different forms of damage, but also about the fact that we, people inhabiting the world, might not share common values at the moment.

Personally, I have been very interested in business ethics, sustainability and now corporate responsibility for a long time. A few years ago I felt that there were no communication between so called business world and people who were concerned about the state of our world's sustainability. Even today I can see tensions between those two groups and discussion about sustainability issues seems to be very challenging. Causes and effects of economic crisis of 2008 can still be seen in most of the western countries. The public debt is increasing in every European country and governments utilize saving programs. In Finland news have reported on decreasing exports and stagnation of economy for over five years in a row. Economic reasons are mentioned as a reason to lay off employees, postpone investments and cut from public services.

Technology and knowhow for ecologically sustainable world already exists according to many scientists. They say we would have the necessary solutions and money have not disappeared from the world but what we lack is the will. In market economy money makes things to happen and lack of it inhibit things from happening. Today money prosper in imaginative financial instruments rather than in promoting the real economy to grow for example through the investments to improve the state of sustainability. Luckily the situation is not as bad as I described. There have been many events lately that are triggering the long desired and mandatory change. International climate conference in Paris 2015 may well be mentioned as one of them.

During the Climate conference in Paris all major countries agreed on Sustainable Development Goals as this thesis briefly already presented. The agreement immediately triggered a huge wave of criticism which claimed that despite the glorious talks, nothing concrete was really agreed on.

This may be partly true. World leaders were maybe not able to agree on concrete action plans, but they mandated an enormous number of researchers, institutions, organizations and for example thesis writers like me to push forward with the desire to change the world to be more sustainable and responsible.

This thesis focused a lot on GRI guidelines as they were well presented in the main sources. GRI guidelines truly offer a great framework and standardized indicators for measuring and managing CSR and sustainability of business operations. But as this thesis concluded to the direction of popular view, GRI is currently evolving in the same pace as the whole sustainability and corporate responsibility concepts are evolving. Even this being the case, ongoing evolution of the key definitions and operating modes might make CSR operating and reporting according to GRI guidelines too challenging for most of the SMEs and thus leave the bottom idea of corporate responsibility too remote.

Fortunately in Finland we have an answer for the complexity of the CSR concept. In Finland a broad group of stakeholders have formed a commission of sustainable development for deploying United Nations' sustainable development goals and Agenda2030. The commission was first facilitated by ministry of environment, but it was moved under a prime minister's office in the beginning of 2016. Finnish commission of sustainable development launched a program called "Sitoumus2050" which is a commitment for a "Finland, we would like to see in 2050". Commitment includes wide range of sustainability areas where whoever from an individual citizen to multinational enterprise can leave their own commitments.

Finland's way to deploy UN objectives was presented in 2015 at UN's headquarters and it has been praised for promoting all sectors of society to commit their own sustainability commitments. Finland's "Commitment2050" is concrete enough and constructed so that all members of society can find entry level for their own. The message of committing to vision how Finland should look alike in 2050 is also clear and communicates well the obvious but significant fact that we all contributing to our future and everyone's actions count.

6 REFERENCES

BBC 2015. Volkswagen: The scandal explained. Cited 31.5.2016. <http://www.bbc.com/news/business-34324772>.

Beschorner, T. 2016. What is CSR? University of St. Gallen, Youtube video. Cited 31.5.2016, https://www.youtube.com/watch?v=E0NkGtNU_9w.

Business & Human Rights Resource Centre 2014. Stora Enso accepts prevalence of child labour in its supply chain, takes action to mitigate impacts. Cited 31.5.2015. <http://business-humanrights.org/en/stora-enso-accepts-prevalence-of-child-labour-in-its-supply-chain-takes-action-to-mitigate-impacts>.

Commission on Sustainable development in Finland 2016 A. Executive Summary of the Report. Cited 31.5.2016. <http://kestavakehitys.fi/documents/2167391/2186383/Finland+HLPF+VNR+Summary+-+FINAL+17.5.2016.pdf/99697100-4eb7-4546-8c7b-8a4c7fd4fc6e>.

Commission on Sustainable Development of Finland 2016 B. Sitoumus 2050 -Suomi, jonka haluamme vuonna 2050. Cited 31.5.2016. <https://sitoumus2050.fi/>

FIBS 2016, CSR reporting event, Helsinki 17.5.2016

GRI 2016. Global Reporting Initiative. Cited 31.5.2016. www.globalreporting.org.

Horttanainen, Anne, Lecture in CSR competition meeting, Mikkeli 15.9.2016

Kuisma, J. 2015. Mainetta ja Tulosta: Yritysvastuun lyhyt oppimäärä. Porvoo: ST-Akatemia Oy.

Kuisma, J., Lecture in CSR competition meeting, Mikkeli 15.9.2016

Niskala, M., Pajunen, T., Tarna-Mani, K. 2013 Yritysvastuu: Raportointi- ja laskentaperiaatteet. Porvoo: KHT-Media Oy.

Rantanen, T. 2016. Article series about Corporate Responsibility. Cited 31.5.2016
<https://www.linkedin.com/pulse/digitalisaatio-jakaa-tiedon-kaikille-kirjoitussarja-sek%C3%A4-rantanen>.

UN 2016. The Sustainable Development Agenda. Cited 31.5.2016,
<http://www.un.org/sustainabledevelopment/development-agenda/>.



Corporate Social Responsibility manual for small and medium-sized enterprizes

CASE: Suomen Talotekniikka STT Yhtiöt Oy

Thesis presentation for Oulu University of Applied Sciences

Degree Programme in International Business

Teemu Kalliojärvi



Table of Contents

Introduction

Familiarizing to Corporate Social Responsibility

Commissioner Suomen Talotekniikka

Research problem, purpose & design

Corporate Social Responsibility – CSR

CSR reporting

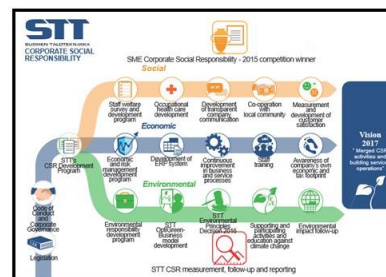
- CSR Analyzes
- CSR Planning
- CSR Management
- CSR report publication and communications

The Global Reporting Initiative - GRI

GRI Guidelines

Case Study Results 1/2016

Results, Conclusions and Discussions



Picture: STT's CSR Program

Familiarizing to Corporate Social Responsibility



Sustainable Development: Our Common Future- report. Bruntland's Commission, UN General Assembly 1987

Tripple Bottom Line: Accounting framework for economic, social and environmental effects. John Elkington, 1994

Shared value: Concept of companies' creating environmental and social value simultaneously with economic profits. Michael E. Porter, Mark R. Kramer

Global Reporting Initiative: International framework for managing, measuring and reporting CSR, GRI

SUOMEN TALOTEKNIikka

Commissioner Suomen Talotekniikka

Industry Building technologies: Construction, HVAC, Electricity – Planning, Contracting and maintenance

Locations Helsinki, Mikkeli, Jyväskylä, Kuopio, Pieksämäki, (Lappeenranta)

Employees 150

Turnover 23M€

Background

OptiGreen Business Development

ERPS project

Staff Wellbeing research

Vision and Mission reassurance

Strategy reform

Participation to CSR Competition

'Yritysten Yhteiskuntavastuu –kilpailu 2015' Facilitated by South Savo's Chamber of Commerce & Local Centre for Economic Development, Transport and Environment

Suomen
Talotekniikka STT-
Yhtiöt Oy
2254278-3

| | | | | | | | |
|-----------------------------|-----------------------------------|-------------------------------------|----------------------------------|--------------------------------------|-----------------------------|--------------------------------|-----------------------------------------------|
| STT Mikkeli Oy 1590952-4 | STT Sähkö Mikkeli Oy 2100054-4 | STT Energia Mikkeli Oy 2069121-1 | STT Lappeenranta Oy 2382180-7 | Suomen Talotekniikka Oy 2254278-3 | STT Piekämä Oy 0995431-3 | Kaari rakennus Oy 2259199-2 | Suomen Talotekniikka Jyväskylä Oy 08561582 |
|-----------------------------|-----------------------------------|-------------------------------------|----------------------------------|--------------------------------------|-----------------------------|--------------------------------|-----------------------------------------------|



Picture: STT Vision, Mission & Strategy workshop 12/2014

SUOMEN TALOTEKNIikka

Research Problem, Purpose and Design

Primary research question: How to create CSR program for SME?

Secondary problems that this thesis will give answers are:

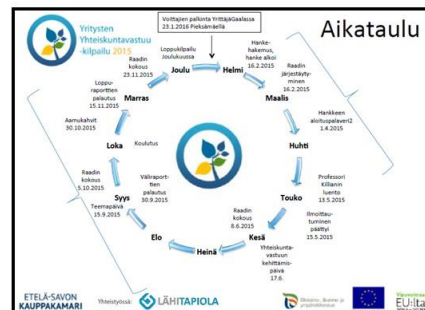
What includes to CSR? What are the main aspects of CSR communications for SMEs' to take into account?

Purposes:

Creation, coordination and reporting of CSR program for commissioning company Suomen Talotekniikka. Contribution to Sustainable Development by raising awareness on CSR.

Design:

Research design followed competition's timetable. Theoretical background in Spring 2015, Case study for the rest of the year 2015. Suomen Talotekniikka's CSR Report publication on Jan 2016.



SUOMEN TALOTEKNIikka

Corporate Social Responsibility - CSR

History and philosophy

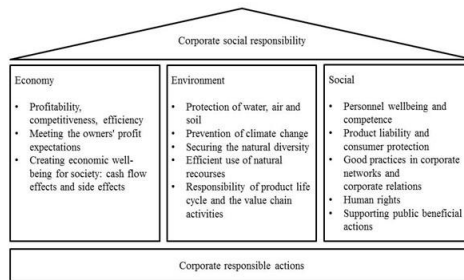
Philanthropic approach by donating to charitywork from accumulated profits. Latest evolution is taking CSR into core of businesses as a responsible business Conduct.

Drivers

- Sustainability issues on every TBL sector. Rising public awareness as well as regulation and control by authorities.
- Global megatrends
- Increased importance of immaterial capital and non-financial results for businesses' value creation.

Future trends

Standardized accounting systems and reporting requirements for non-financial informations. (EU, NASDAQ ESG)



Picture: Contents of CSR, Source: Yritysvastuu, Raportointi ja laskentaohjeet

CSR operating framework

CSR consists of Social, Environmental and Economic responsibility.

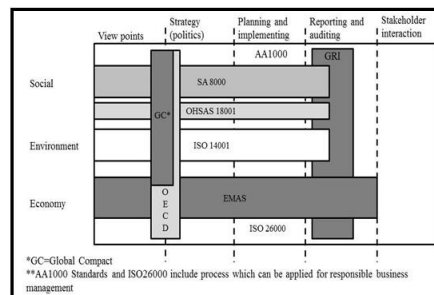
Mandatory rules and laws + **voluntary** commitments to initiatives, standards for operating systems and guidelines for operations and reporting.

Rules and laws set the minimum level

f.e.g. UN declaration of Universal Human Rights, UNEP, EU and ILO prohibitions of forced labor and child labor. Challenges in interface of globalized economy and national regulatory and control.

Initiatives and commitments lead the way of CSR

UNGC, OECD Guidelines for Multinational Enterprises, EMAS, Sitoumus2050-commitments, Industry specific alliances&conventions, Fair Trade etc.



Global Reporting Initiative is the leading guideline for CSR reporting

CSR Reporting

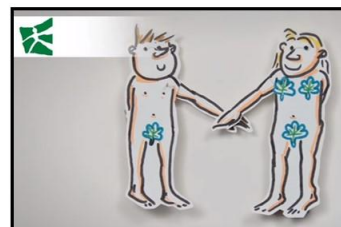
CSR reporting is for tracking, measuring and communicating CSR related aspects of business operations.

CSR Information is most commonly published by listed companies as a separate CSR report or sustainability report. CSR information may be integrated as a part of financial statement.

Internationally accepted financial accounting practices and principles date back to middle ages when Luca Pacioli described the double entry bookkeeping the first time in 1494.

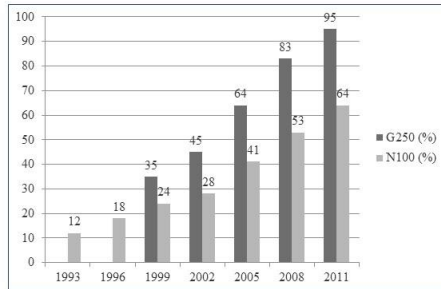
CSR reporting includes wide selection of non-financial aspects. It is originated from environmental reporting. Broader concept of CSR reporting has begun to stabilize in use in the beginning of 21th century.

CSR reporting is primarily a tool for to support the company's own decision making as well as means to increase transparency in accordance with growing stakeholder expectations.

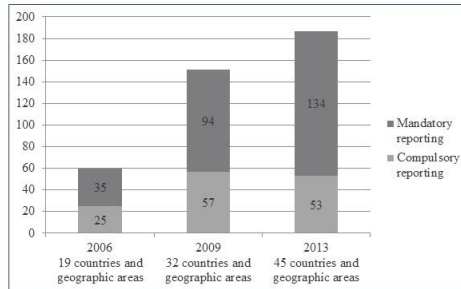


Picture: USG Youtube video
Prof. Thomas Beschorner, University of St. Gallen:
"CSR is about how companies make profits, not about how they spend them."
"The cynics say that CSR is like a teenage sex; everybody says they are doing it, but few actually are. And those who really do it, do it rather badly."
"There are still those who misconstrue CSR as a PR instrument and simply want to green wash or blue wash their company. And unfortunately, there is still companies that don't give a damn to questions of Corporate responsibility."

Popularity of CSR Reporting



Picture: KPMG's CSR publication research 2011, Yritysvastuu Raportointi- ja laskentaperiaatteet, p.13



Picture: Carrots and Sticks- report, Yritysvastuu Raportointi- ja laskentaperiaatteet, p.12

Global Reporting Initiative - GRI

GRI is a Netherland based non-profit organization formed by the initiative of UNEP and CERES in 1997. It is a multistakeholder network promoting and developing CSR reporting. GRI publishes and administers GRI Guidelines. Latest GRI G4 Guidelines were published in May 2013.

GRI guidelines are presented in two parts:

Reporting principles and standard disclosures

- Criteria to be applied when reporting in accordance with GRI
- Definitions of key terms

Implementation manual

- Explanations how to apply the reporting principles
- How to prepare the information to be disclosed
- How to interpret the various concepts in the guidelines

| CATEGORIES AND ASPECTS IN THE GUIDELINES | | | | |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Category | Economic | Environmental | Social | Product Responsibility |
| Aspects ¹ | <ul style="list-style-type: none"> Economic Performance Market Presence Indirect Economic Impacts Procurement Practices | <ul style="list-style-type: none"> Materials Energy Water Biodiversity Emissions Effluents and Waste Products and Services Compliance Transport Overall Supplier Environmental Assessment Environmental Governance Mechanisms | <ul style="list-style-type: none"> Human Rights Local Communities Anti-corruption Public Policy Anti-competitive Behavior Compliance Supplier Assessment for Impacts on Society Customer Privacy Compliance | <ul style="list-style-type: none"> Customer Health and Safety Product and Service Labeling Marketing Communications Customer Privacy Compliance |
| Sub-Category | Labour Practices and Decent Work | Human Rights | Society | Product Responsibility |
| Aspects ² | <ul style="list-style-type: none"> Employment Labour Management Relations Occupational Health and Safety Training and Education Diversity and Equal Opportunity Equal Remuneration for Women and Men Supplier Assessment for Labour Practices Labour Practices Governance Mechanisms | <ul style="list-style-type: none"> Investment Non-discrimination Freedom of Association and Collective Bargaining Child Labor Forced or Compulsory Labor Society Practices Indigenous Rights Assessment Supplier Human Rights Assessment Human Rights Governance Mechanisms | <ul style="list-style-type: none"> Local Communities Anti-corruption Public Policy Anti-competitive Behavior Compliance Supplier Assessment for Impacts on Society Customer Privacy Compliance | <ul style="list-style-type: none"> Customer Health and Safety Product and Service Labeling Marketing Communications Customer Privacy Compliance |

GRI categories and aspects: www.globalreporting.org, date of retrieval 6.4.2016

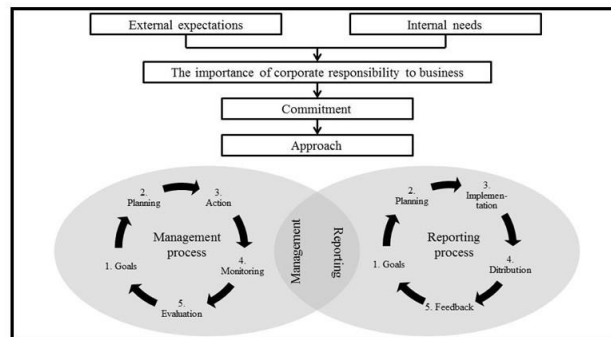
CSR Reporting process

Analyzes

Company specific approach

Integrated management & Reporting
- Importance of a task force

Continuity



Picture: Yritysvastuu Raportointi- ja laskentaperiaatteet, s101

CSR Analyzes

Stakeholder analysis

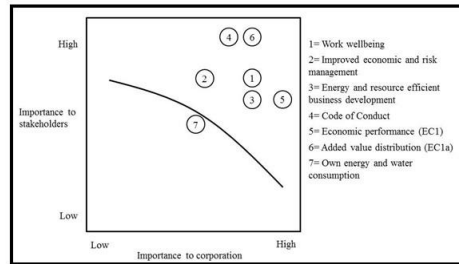
- Who are the company's stakeholders, ranking
- What expectations do stakeholders have, ranking
- Stakeholder interaction and involvement

Analysis of essence

- What are the most central CSR aspects for the company (SWOT)

GRI indicator list

- Only the most essential CSR indicators from the 149 pcs of GRI indicators (GRI Core and Comprehensive)



Picture: Analysis of essence –table, STT's CSR Planning, Source: Mainetta ja tulosta, p.176)

Defining the report

Careful analyzes for defining the right goals

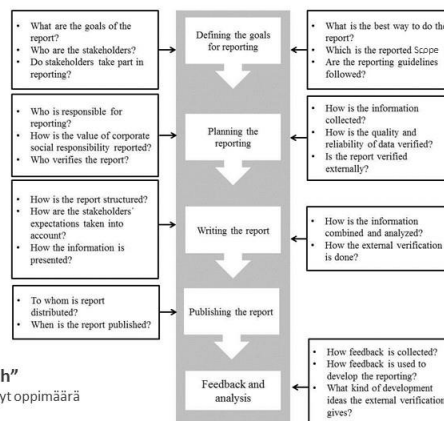
Defining the data collection to ensure valuable and reliable CSR data (GRI Core and Comprehensive)

Reporting in a right way

Report publication and feedback collection

"Tell the truth, the whole truth and nothing but the truth"

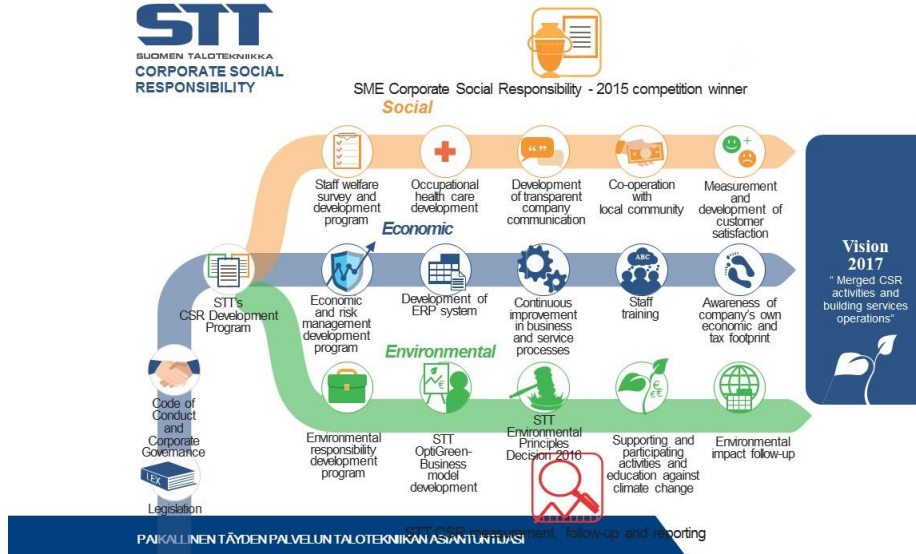
Mr. Jouko Kuisma, Writer of a book Mainetta ja Tulosta, Yritysvastuun lyhyt oppimäärä



CASE STUDY RESULTS

1/2016

Designing, Coordinating and reporting
Corporate Social Responsibility
for commissioning company
Suomen Talotekniikka



Social responsibility

Staff wellbeing program

- Based on a staff wellbeing research 2015, will be repeated before next reporting
- Development of internal communications: Intranet in summer 2016
- Staff wellbeing day in spring 2016
- Improved cooperation with occupational health service provider Spring 2016
- Education on Code of Conduct and Company principles Summer 2016

Customer satisfaction program

- Customer satisfaction research in cooperation with MUAS
- Measuring, following, developing and reporting
- Rewarding linked to customer satisfaction

Local communities

- MUAS, Vocational Schools, HOPE Mikkeli, Donation for Childrens' department in Mikkeli Hospital, Suur-Savon Hiihto, Pond Hockey,



Picture: HOPE Mikkeli's Facebook page

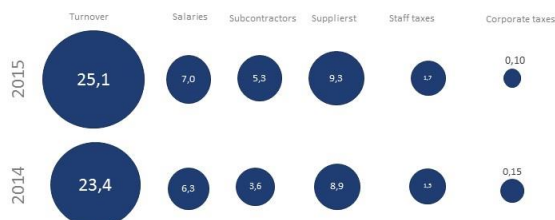
SUOMEN TALOTEKNIIKKA

Economic Responsibility

Improved economic and risk management

- New ERP system utilized in most of the units
- More detailed project follow-up
- Improved analyzes: Better timing and proactivity

Turnover distribution between stakeholders (M€)



STT has made significant investments on growth and economic performance

- New ERPS
- OptiGreen business development
- GSHP contract piloting
- Staff competences and wellbeing
- Renewal of vehicles

SUOMEN TALOTEKNIIKKA

Environmental Responsibility

1. STT OptiGreen

Installations that are under STT's telemonitoring has produced:

Free and clean
energy
3550Mwh

Emission reductions
>1 000 000kg/Co2

CO2 reduction is equivalent to:

- Driving a car 4,43 years 24/7
- 196 vehicles annual emissions
- 140 single houses' annual energy demand
- Burning light bulb 8781 years in a row

2. OptiGreen development

- Investments and recruitments: Sales Manager, Energy engineer, Energy auditing licences
- R&D with MUAS

3. Review of own premises' energy consumption and waste management autumn 2016

SUOMEN TALOTEKNIikka

Results, Coclusions and Discussions

CSR theory was researched carefully and documented well during the thesis project

- Theory part answers to the most of the research questions
- Theory part illuminates the key findings of latest CSR development

Case Study was conducted well

- Suomen Talotekniikka won the CSR competition with CSR program that was designed, coordinated and documented by this case study
- Case study was conducted by applying theoretical background of this thesis. Case study offers a great example for other SME companies' CSR operations
- According to competition jury's feedback: "Suomen Talotekniikka has a great opportunity to gain competitive advantage as a responsible corporation"

Thesis Report

- Report requires focusing on grammar and vocabulary.
- Source references need attention and an official thesis format needs to be utilized

Personal learning and future interest on a chosen thesis topic

- One of the most current and significant topic
- Concepts, definitions and standards on the field of CSR and Sustainable Development are still experiencing a great evolution
- Personally I will aim to be one of the leading CSR professionals in the future



Picture: STT's CSR Coordinator Teemu Kalliojärvi at CSR Competition's prize ceremony, Piekämäki 1/2016

SUOMEN TALOTEKNIikka

List of references

Mainetta ja Tulosta: Yritysvastuun lyhyt oppimäärä, Jouko Kuisma, ST-Akatemia, 2015

Yritysvastuu: Raportointi- ja laskentaperiaatteet, Mikael Niskala, Tomi Pajunen, Kaisa Tarna-Mani, KHT Pro, 2013

Resolution adopted by the UN General Assembly on 25 Sep 2015: Transforming our world, The 2030 agenda for sustainable development
http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E

University of St. Gallen, Prof. Thomas Beschoner, Youtube video, date of retrieval 22.5.2016,
https://www.youtube.com/watch?v=E0NkGtNU_9w

GRI's Reporting 2025 Project – First Analysis paper, May 2015:
<https://www.globalreporting.org/resource/library/Sustainability-and-Reporting-Trends-in-2025-1.pdf>

GRI's Reporting 2025 Project – The final digital publication: The Next Era of Corporate Disclosure: Digital, Responsible, Interactive.
<https://www.globalreporting.org/resource/library/The-Next-Era-of-Corporate-Disclosure.pdf>

Article series about Corporate Responsibility by Timo Rantanen:
<https://www.linkedin.com/pulse/digitalisaatio-jakaa-tiedon-kaikille-kirjoittussarja-sek%C3%A4-rantanen>

SUOMEN TALOTEKNIKKÄ



Thank you for your attention!

Teemu Kalliojärvi
 &
 Suomen Talotekniikka



PAIKALLINEN TÄYDEN PALVELUN TALOTEKNIKAN ASIAINTUNTIJASI